





## NEWS: INTERNATIONAL

## Japan's stock falls 'to have limited effect'

By Michael Prowse  
in Washington

MR Alan Greenspan, US Federal Reserve chairman, sought to reassure financial markets yesterday that recent sharp falls in Japanese share prices would not have serious effects in other countries.

Testifying before the Senate banking committee in Washington, he said the Fed's unexpected decision last week to cut short-term interest rates by a quarter-point to 3.75 per cent reflected weak growth of the money supply and bank credit. It was not a response to sharp falls in Japanese share prices.

"In my judgment, the impact on the US from Japanese stock price changes to date is likely to be limited," he said.

Mr Greenspan said Japan would demand for US exports to capital, provided it ran a current

account surplus, regardless of share price falls. Shifts in the composition of capital exports might cause some price adjustments in overseas markets but these "need not be terribly disruptive".

Japan held only 3.3 per cent of US Treasury securities and an even smaller fraction of equities.

He said falls in Japanese share prices might lead to retrenchment by Japanese banks, but world-wide credit conditions "will not be substantially weakened by a scaling back by Japanese banks".

Japanese share price falls could have a significant negative effect on Japanese investment and hence on growth. However, "the separate contribution of the stock market decline to weaker Japanese demand for US exports is not expected to be large."

## Bush and Clinton taking aim at each other

By Jurek Martin  
in Washington

PRESIDENT George Bush and Governor Bill Clinton of Arkansas are increasingly taking aim at each other, rather than their respective party challengers.

In speeches on Thursday in Pennsylvania, which holds the next primary on April 28, the president recycled an old proposal for increased student loans.

Mr Clinton, front-runner for the Democratic nomination to oppose him in November's election, countered that the Bush plan was politically cynical, since the administration had previously done its best to cut student loan programmes and was now borrowing from one of his own main education policy positions.

Mr Lamar Alexander, secretary of education, partly observed that "if Governor Clinton thinks it's a good idea, that's terrific. But his friends in Congress don't think it's a good idea. Maybe he should talk to them."

However, the main thrust of the Democrat's speech, given

to the Wharton School of Business, was to attack the president for mismanagement of the economy and to present his own plans for the future. He gave a similar speech on foreign policy in New York two weeks ago.

Mr Clinton cited the case of Mr Michael Milken, the convicted junk bond dealer (and, incidentally, a Wharton graduate), as an example of where the economic philosophy of the

1980s had gone wrong. "We must bring an end to this something-for-nothing ethic," he said.

His blueprint, drawing together several previously stated positions, includes a new \$2bn (£1.1bn) tax credit for new investments; making permanent the existing research and development tax credit, now costing about \$1bn a year; and a new "enterprise tax cut" worth \$300m a year.

He would also establish what he called a "future budget" to increase investment in the country's social and physical infrastructure, running from schools to roads and bridges.

He promised to focus on the critical issue of converting defence programmes into civilian output and to put more resources into education and training.

This would be broadly financed by cuts in military

spending, a reduction in administrative outlays, and a determined effort in future to ensure that costs stayed below the rate of inflation.

"We spend a quarter of what our competitors do on training programmes for our workers," Mr Clinton said. "Last year Germany and Japan had productivity growth rates several times ours because they educate their people better and they organise their economies

to change better than we do."

The two speeches mark the end of what had been a lull in the campaign, with Mr Clinton sidelined by an overworked voicebox and Mr Bush concentrating mostly on attacking the Democratic-controlled Congress.

The president's latest pitch is that he, not Mr Clinton, is the real architect of change, though his critics have observed that many of his recent policy proposals, including that on student loans, have been old ideas dressed up differently.

But Mr Bush has less of a hill to climb in establishing his credentials than does Mr Clinton, who needs to put the "character" questions behind him and clearly differentiate his policies from those of the president.

This extends even to what the two men eat. Yesterday, Mr Clinton, in a Philadelphia street market, held up a stick of broccoli, the president's least favourite vegetable, and said he liked it. The impact of this staggering expression of preference has yet to be recorded in the polls.

## Housing starts lift US economic hopes

By Michael Prowse

AN unexpected jump in US housing starts last month to their highest level for two years yesterday raised hopes for a slow economic recovery.

Analysts were also cheered by better than expected figures for February. A surge in exports led to a deficit of only \$3.4bn (£1.8bn), the smallest monthly shortfall for nearly nine years.

Other signs of economic strength included a drop in

claims for unemployment insurance in early April and a rise in an index of manufacturing activity compiled by the Federal Reserve bank of Philadelphia.

The Commerce Department said housing starts rose 6.4 per cent to a seasonally adjusted annual rate of 1,945,000. Most analysts had expected a decline, following sharp increases in previous months.

Starts are now running nearly 60 per cent above the trough reached in January last year.

The growth may falter, however, given demographic trends that have reduced demand for housing. The increase last month reflected a big and probably erratic gain in starts for apartment buildings. Starts for single-family housing, the mainstay of the residential market, fell slightly.

The decline in the trade deficit reflected a \$2.4bn rise in exports to \$37.8bn - a record in cash terms - and a \$3.2bn fall in imports to \$41.2bn.

Exports in the first two months of the year were 8.1 per cent up on the same period last year. The strength of exports in February partly reflected a jump in aircraft sales, which moved erratically on a monthly basis. Officials indicated slower demand in foreign markets might pose problems for US exporters this year.

These - more encouraging reports followed lacklustre figures for retail sales and industrial production this week, highlighting the halting nature of the economic recovery.

## Brussels warns on Greek economy

By Kerin Hope in Athens

THE European Commission has issued a strong warning on the problems of the deficit-plagued Greek economy, and called for new revenue-raising measures to be implemented immediately.

A confidential Commission report proposes the introduction of two economic packages to raise Dr1,000bn (£2.9bn) in extra income by the end of 1993. This would offset projected losses resulting from income tax reform and deferred interest payments on the rapidly growing public debt.

The economy ministry took the unusual step of making the report available to journalists, in what appeared to be an effort to heighten Greeks' awareness of their economic predicament.

The report said that if Greece was to participate in European monetary union, "a very substantial, vigorous and effective adjustment package is needed immediately, and must be followed by further continuous and sustained measures".

The report suggested that a Dr312bn revenue package be launched next month.

Mr Stefanos Manos, economy minister, has been considering

further spending cuts. But he faces objections from other cabinet ministers who fear the political cost of fresh austerity measures. The government's popularity is already at low ebb because of a public sector pay freeze, imposed with inflation above 18 per cent.

Greece last year failed to meet most targets set under a medium-term economic stabilisation programme launched in return for an Ecu2.2bn (£1.54bn) loan by the EC.

The government's net borrowing requirement fell more slowly than forecast, in 1991, to 14.1 per cent of gross domestic product, compared with a tar-

get of 10.4 per cent. Also, the government was unable to service the public debt fully, because of a Dr338bn shortfall in tax revenues.

Greece has shown some reluctance in the past to follow the advice of Commission officials monitoring the economy.

Commission officials have also expressed doubts about the accuracy of Greek government departmental figures, according to economy ministry officials. The report noted that forecasts for 1992 appeared "overly optimistic" and pointed out that net borrowing requirements had been understated last year.



A British welder was arrested in Seville yesterday, suspected of causing the fire (pictured above) that engulfed the wood, bamboo and palm-fronded South Pacific Island pavilion at the multi-billion-dollar Expo 92 fair, which opens on Monday, writes Peter Bruce. The fire came exactly two months after another welding accident caused the exhibition's main theme pavilion, the Discoveries building, to burn down.

## Brady happy with Russian reform plan

By Peter Norman,  
Economics Correspondent

RUSSIA'S economic reform programme remains intact and the planned financial support for it from the International Monetary Fund should be agreed in May, according to Mr Nicholas Brady, US treasury secretary.

He said the concessions made by the Russian government in the past week's session of the Russian Congress of People's Deputies might amount to "a very, very slight deterioration" of the programme.

But the US had not changed its support for the economic reform efforts of President Boris Yeltsin and his first deputy prime minister, Yegor Gaidar, or its view that work on western financial support for Russia should continue.

Mr Brady, who spoke to journalists on Thursday after briefing Mr Norman, said the US, the UK, and other major industrialised countries, said there were some encouraging economic signs in Russia and eastern Europe. The proliferation of street markets in Moscow pointed to the emergence of an entrepreneurial spirit. Low east European wage levels relative to those in western industrialised countries should encourage investment and exports.

However, Mr Brady warned that growth in the industrial world was too low to deal with the problems of the former communist countries and below the level needed in the Group of Seven leading industrial countries and the rest of the world.

He indicated the US would again raise the issue of growth when G7 finance ministers and central bank governors meet in Washington this month.

A year ago, Mr Brady ruffled feathers in Europe and Japan by urging more expansionary policies to combat a slowdown in growth. Following his latest trip, he said government officials in Europe now shared US concerns.

Mr David Mulford, US treasury under-secretary for international affairs, said Japan could adopt a "more stimulative attitude" to investment as part of a plan to boost activity, while there was a growing recognition in Germany that the country's mix of policies might be hindering growth.

Germany's high interest rates were "not just a Bundesbank issue", Mr Mulford said.

## NEWS IN BRIEF

## French to reduce army by 25% over five years

The French army is to be cut by more than a quarter in a five-year programme of defence cuts announced by Mr Pierre Joxe, defence minister, writes Ian Davidson in Paris.

The first reductions, of just under 25,000 men, are to take effect next year and are made up of 16,000 national servicemen, 8,000 professionals, and 4,750 civilians. From 1993 to 1997, the French army will be reduced from 380,000 men to 220,000, roughly equivalent to the elimination of a division a year. During the same period, the air force will be reduced from some 450 combat aircraft to fewer than 400.

## East European bloc set up

Czechoslovakia, Hungary and Poland yesterday set up a regional economic bloc to present a common front to the European Community and the outside world, writes Nicholas Denton in Budapest.

The Visegrad Three, the group of reformist east European countries which takes its name from the city in Hungary, established a Central European Co-operation Committee (CECC) as a forum for regular trade consultation. One of the CECC's first decisions was to press ahead with the formation of a free-trade zone covering the three countries in the second half of this year. The CECC also attacked the EC for failing to live up to last year's commitments to triangular aid - western purchases of goods in eastern Europe for delivery as aid to the former Soviet Union.

## Turkish forces kill 11 militants

Turkish security forces killed 11 left-wing militants in Istanbul and 35 Kurdish rebels in the south-east in the past two days, officials said yesterday, Reuters reports from Istanbul.

Police shot dead five men and six women alleged to be members of Dev-Sol (Revolutionary Left), Turkey's deadliest urban guerrilla group, in overnight raids on several apartments and an office in Istanbul. Six other Dev-Sol members, four of them women were captured. It was the bloodiest strike against Dev-Sol since police shot dead 12 alleged members in Istanbul and Ankara in July.

In the south-eastern province of Mardin, officials said security forces had killed 30 Kurdish Workers Party (PKK) rebels in an operation to rescue a captured soldier.

## Hong Kong unveils railway plan

Plans have been unveiled for a new high-speed railway that will service Hong Kong's new airport, Simon Holberton writes from Hong Kong. The plans include a HK\$1.5bn (£110m) indemnification by the Hong Kong government to the Mass Transit Railway Corporation (MTRC) if the airport is not completed in 1997.

The compensation, to take account of lost revenue from the railway, is part of a HK\$22.8bn financing package the MTRC announced in connection with the rail link.

Construction of the railway will start towards the end of 1993. The corporation will let 19 major civil engineering and building works contracts and up to 30 contracts may be required for electrical and mechanical works.

## Taiwan announces deposit rules

Taiwan's Finance Ministry published regulations governing the issue of global depository receipts (GDRs) by Taiwanese companies yesterday, paving the way for China Steel's \$360m (£203m) international share offering to be made by July this year, writes Luisetta Mudie in Taipei.

The use of GDRs is the first by a Taiwanese company, and constitutes the next stage in the privatisation of China Steel, which is 88 per cent government-owned. Fifteen per cent of China Steel's shares will be floated.

## Cash shortage closes Zaire banks

All commercial banks in Zaire will close next week because of a cash shortage, the Zaire Banking Association said yesterday AP-DJ reports from Kinshasa.

The Banking Association said in a statement that the Central African country's 12 commercial banks needed 10 trillion (million millions) zaires a month for their clients but were only getting 480bn a month from the Central Bank. For months, the banks have been closed most of the time, dealing with selected customers through the back door. However, most withdrawals are limited to the equivalent of \$10 to \$15 and the zaire currency has become almost worthless. The largest denomination bill of 100,000 zaire is worth less than \$1.

## Serbs ignore pleas over Bosnian truce

By Laura Silber in Belgrade

FRESH fighting erupted in Bosnia-Herzegovina yesterday, as Serbia vowed not to cave into foreign pressure to respect the latest ceasefire in the newly independent former Yugoslav republic.

Grievances were reported in four strategic towns along Bosnia's northern frontier with Croatia, in an apparent effort by Serbs to establish a corridor linking Bosanska Krajina, the large Serb enclave in western Bosnia, with Serbia. The fighting continued despite warnings from the US and the European Community to Serbia and the Serbian-dominated federal army to observe a ceasefire.

Mr Vladislav Jovanovic, the Serbian foreign minister,

played down the significance of the mounting international criticism, and said it was not an "ultimatum". Mr Radoman Bozovic, prime minister of Serbia, said: "Serbia will not bow to an economic blockade. We are not ready to submit to pressures which are at the expense of Serbia's dignity and economic sovereignty."

Gun battles and explosions shook Sarajevo only hours after Mr Cyrus Vance, the United Nations special envoy, left the Bosnian capital, saying: "I can't say I'm an optimist in this situation."

Battles in Bosnia have left more than 100 people dead and 170,000 homeless. Most main roads have been cut, causing shortages of food and medical supplies in many towns.

## Russia brushes CIS partners aside on Start treaty

By John Lloyd in Moscow

RUSSIA alone will ratify the Strategic Arms Reduction Treaty (Start) with the US, in spite of demands from other former Soviet states holding nuclear weapons to be co-signatories, according to Mr Andrei Kozyrev, the Russian foreign minister.

Start ratification has been delayed by the collapse of the Soviet Union, co-signatory to the treaty. Mr Kozyrev said: "The production of nuclear weapons is on Russian territory, thus the dismantling must also be on Russian territory. If you have to choose which of the four

nuclear states would sign the treaty, it must be Russia."

The demand to be a Start co-signatory has been voiced by Ukraine among the other three nuclear states, which include Belarus and Kazakhstan.

In an interview with the Financial Times, Mr Kozyrev stressed that between the former Soviet states - particularly Russia and Ukraine - was "unthinkable". But he warned that Russia was prepared to use "every other kind of leverage available to a great power", including economic embargoes and sanctions, "to protect the interests of the Commonwealth of Independent

States and the interests of Russia."

The foreign minister said a resolution due to go before the Russian parliament demanding the return to Russia of Crimea, at present part of Ukraine and home to the Black Sea Fleet, could "have a destabilising effect". But he said Crimea should hold a referendum to decide its status.

Last night the Crimean parliament's presidium recognised as valid a petition signed by nearly 200,000 people calling for a referendum on independence "in union with other states". If ratified by the parliament, the referendum could be held in June.

Mr Kozyrev said: "It is extremely important that Russian-Ukrainian relations be kept within the CIS framework. Only under that would the frontiers between us be guaranteed. We respect very much Ukrainian independence but they must be realistic in dealing with Russia not to destabilise the situation."

The foreign minister said he had approached neutral countries such as Austria and Finland to provide officers for CIS peacekeeping forces which could be deployed in the disputed enclave of Nagorno-Karabakh and Moldova, where there have been clashes over the Trans-Dniestr region.

## Sentences end the Ambrosiano affair, Part I

By Haig Simonian in Milan

ITALY'S slow-grinding legal system has crunched forward with this week's verdicts in the long-running Banco Ambrosiano trial. But as reactions to the heavy sentences on the 33 defendants showed, the sparks have only just started flying.

Hardest hit among the accused was Mr Carlo De Benedetti, the industrialist best known as chairman of the Olivetti computer group. He was jailed on Thursday for over six years, for his role in the collapse of the bank formerly run by Mr Roberto Calvi, the financier found hanging under London's Blackfriars Bridge in June 1982.

Although he appeared confident at a press conference in Milan yesterday, the verdicts have already hit the image, if not the actual running, of Mr De Benedetti's businesses. However, his aides said the case "will not bring any change whatever, nor have any effect on the operations of Mr De Benedetti and the companies in his group".



De Benedetti: jailed for over six years for his role

Mr De Benedetti is not alone among prominent figures caught in the Ambrosiano web. The others include Mr Giuseppe Ciarrapico, a financier and close friend of Mr Giulio Andreotti, Italy's caretaker prime minister, and Mrs Anna Bonomi Bolchini, the head of a prominent Milanese industrial family. All were sentenced to heavy jail terms.

The longest sentences were reserved for Mr Licio Gelli, former head of the banned P2 masonic lodge, and his assis-

tant in the lodge, Mr Umberto Ortolani, who received terms of 18½ and 19 years.

Thursday's verdicts conclude the latest stage in a legal saga which began after the bank's collapse in 1983 with \$1.3bn (£734m) of debts in Italy's biggest post-war banking scandal.

After a highly complex, eight-year investigation hearings opened in May 1990. The Ambrosiano shadow fell over Mr De Benedetti himself as a result of his role as deputy chairman of the bank, a position he was invited to take by Mr Calvi in November 1981.

Rather than eventually becoming chairman and having the opportunity to clean up the bank, as he says he hoped, Mr De Benedetti stayed on board for just 65 days before stepping down in January 1982.

At a crowded press conference in Milan yesterday, he made clear he decided to leave at Mr Calvi's request. "My feeling is that Calvi hadn't asked permission from whoever he had to, and regretted it soon afterwards; indeed, within three days of my arrival," he said.

Who Mr Calvi's mysterious bosses might have been was not made clear.

In 1988, Mr De Benedetti was formally accused by investigating magistrates of extortion, a charge levelled against a number of other bank employees.

Although he was acquitted in April 1989, another magistrate called next March for him to be tried along with the other defendants, this time on the new charge of fraudulent bankruptcy. The accusations focused on the financial details of Mr De Benedetti's acquisition of a packet of shares in the bank and another company on taking office, and their subsequent sale on his departure.

Yesterday, he repeated his stance that the deals had been entirely above board.

His lawyers are appealing against the verdict. Most of the defendants have promised to appeal, and the case could even reach Italy's supreme court after their appeals are heard, meaning the Ambrosiano saga looks set to win a place in the record books for its length, if for nothing else.

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## Force of arms pushes Afghans near chaos

Alexander Nicoll and Farhan Bokhari assess problems in the wake of President Najibullah

TWO weeks ago, Mr Benon Sevan, UN special envoy, was confident that President Najibullah of Afghanistan would step down soon in favour of a neutral council which would pave the way for an interim government and elections.

Najibullah has indeed left office. But the manner of his leaving – forced out on Thursday by his own ruling party as rebel guerrillas advanced on Kabul – was not what Mr Sevan had hoped for after months of diplomatic shuffling to seek a peaceful exit.

The era begun by the Soviet invasion in 1979 has ended. Najibullah was security chief for Babrak Karmal, installed by Moscow as president, and he superseded Karmal in 1988. He had been clinging to power as Moscow first withdrew its troops in 1989 and then cut off all support this year.

However, it is unclear whether Najibullah's fall will lead to peace, or to renewed bloody civil war between rival Islamic fundamentalist guerrillas. Between 1m and 2m people have died in the conflict so far.

The international community's extreme concern was underlined by a UN Security Council call after an emergency session on Thursday night, for restraint and a political solution. The US said it feared chaos and appealed to all parties to lay down their arms and co-operate with the UN in arranging a peaceful transfer of power.

But the many foreign countries which have participated in, financed or manipulated Afghanistan's 12-year war now appear virtually powerless to influence the immediate course of events.

Mr Abdul Wakil, Afghan foreign minister, said the new regime would continue to be committed to the UN peace process. However, the ruling Watan (Homeland) party's hold on power appears increasingly tenuous. Yesterday, Mr Wakil left Kabul briefly to seek a meeting with Ahmad Shah Masood, leader of one of the main guerrilla factions.

Forces loyal to Mr Masood, commander of the Jamiat-Islami group, have taken Bagram air base, 50 miles from Kabul. Mr Najibullah's former Jamiat spokesman in the Pakistani city of Peshawar, said the forces were poised close to Kabul but had orders to halt outside the city. "We are confident that the citizens of Kabul, army officers and officials have good opinions of Masood. We hope that the situation will go in favour of the mujahideen [guerrillas], without bloodshed," he said.

A deal between the government and Mr Masood, however, would almost certainly be unacceptable to Mr Gulbuddin Hekmatyar, leader of the Hazar-I-Islami guerrillas, who are also not far from Kabul. Mr Hekmatyar has rejected the UN peace process.

Intense rivalry between mujahideen groups – these are the two most powerful of many factions – is the biggest obstacle to peace. Their common goal, the removal of Najibullah, has been achieved with the support of western and Arab arms aid. But the temptation to pursue separate military courses is great now that military victory over government forces also appears so close.

Mr Masood controls much of northern Afghanistan through his Supervisory Council of the North. Mr Hekmatyar's territory is mostly south of Kabul. For some time the government has controlled less than 20 per cent of the country.



The Afghan guerrilla leader Ahmad Shah Masood has increased influence as the Najibullah regime collapses

Pakistan officials have been meeting mujahideen leaders, many of whom are based in Pakistan, since Wednesday to seek agreement on the composition of a 15-member neutral council due to take control of Afghanistan under the UN peace plan. They are concerned that agreement will not be reached in time for mujahideen leaders to return to Kabul so as to join new

administrative arrangements. The West has supported the mujahideen but the prospect of a radical Islamic state emerging in Afghanistan is a principal cause of international concern. Afghanistan's historical role as a buffer state between empires would be superseded, in the west's eyes, by one in which it was part of a growing radical Islamic swathe.

Even more worrying for the west and for Moscow was the prospect of a balkanisation in which warring guerrilla groups held various parts of the country and sought to form links with their neighbours, including the central Asian republics that were in the Soviet Union.

A further motive for international concern is Afghanistan's role as the largest regional producer and exporter of heroin. A further period of unstable, decentralised control would prevent attempts to bring the growing and processing of opium poppies under control.

The refugee problem is also enormous. More than 3m Afghans have fled to Pakistan during the war and more than 2m to Iran. Their resettlement in a mine-strewn country with a collapsing economy will be a huge challenge for the international community when peace returns at last. They may have to wait a long time to return home.

A paper the academics presented at the British Accounting Association annual conference at Warwick University concluded: "Poor readability is associated with poor financial performance and ease of readability with relative financial success."

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## Eminent call for greener ethics

By Robert Thomson in Tokyo

A GATHERING of former prime ministers, presidents and other eminent persons yesterday released a Tokyo Declaration, calling for a "re-evaluation of the thinking which underlies our present society" and the adoption of "new environmental ethics".

The meeting, a precursor to the UN's Earth summit in June, also asked governments to consider new taxes to protect the environment, to develop financial assistance to developing countries, and to settle quickly the Uruguay Round of multilateral trade negotiations.

The meeting, sponsored by the UN Conference on Environment and Development, urged Japan to take a political lead in the coming months to ensure the success of the summit in Rio de Janeiro and to broaden the debate on environmental ethics.

Mr Noboru Takeshita, Japan's former prime minister and official host of the three-day meeting, promised that Japan would build "a society oriented to preserving the environment", though he gave few specific examples of how this would be achieved.

The declaration's reference to environment-related taxes was a sensitive point, as Japanese government officials had requested that the text not call directly for the introduction of taxes. Tokyo is now "informally" discussing a tax on carbon dioxide emissions, similar to that introduced in Nordic countries.

In the final draft, the declaration's reference to taxes read: "Countries may also wish to consider special taxes and charges in the context of the global partnership being forged at Rio de Janeiro, keeping in mind the impact on international competitiveness."

"We appeal to the leaders of all governments to come to the Earth Summit at Rio, prepared to commit themselves to the measures required to give effect to a new global partnership for sustainable development," the Tokyo Declaration added.

The delegates agreed that developing countries need "increased access to the markets of industrialised countries" and that this necessitates "an immediate and meaningful conclusion of the Uruguay Round".

They also encouraged private companies towards a more important role in making environment policy, and suggested developed countries arrive in Rio with specific proposals for increased technology transfer to developing nations.

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Yorkshire miners' protest at contracting out is dismissed by British Coal

## Pits face strike threat

By Michael Smith, Labour Correspondent

BRITISH COAL faces disruption at its Yorkshire operations after miners in the region voted to stage selective strikes over work being contracted out to private companies.

Although the majority in favour of industrial action was narrow – 5,131 votes to 4,984 – solidarity among Yorkshire miners is strong and it is likely that even those who voted against would obey a union walkout instruction.

Any action could provide British Coal with its stiffest industrial relations test since the 1984-85 national pits strike. Although Yorkshire miners

have voted since then for industrial action over pay, a less militant stance by colleagues in other areas has prevented them going ahead with it. Areas outside Yorkshire have not been balloted on the contracting out issue.

Mr Ken Capstick, National Union of Mineworkers Yorkshire vice-chairman, said the union was likely to call the action if British Coal refused to meet it for talks or to compromise. The executive of the Yorkshire NUM, the union's largest area, will meet on Wednesday.

The vote follows British Coal's plan to shift from the traditional "advance" system of mining coal to the "retreat" method at Markham Main col-

liery in Armthorpe, South Yorkshire.

Under the traditional system, miners employed by British Coal bring coal to the surface as they advance along a coal face. The retreat method involves bringing coal to the surface only after all the tunneling development has been completed. The tunneling is a specialised job and, according to British Coal, can often be performed more cheaply and effectively by contractors.

Although not a new system, the retreat method is increasingly in use, and NUM members fear it will lead to significant job losses. At Markham Main, which employs 730 workers, 35 jobs are at stake. Since the end of the 1984-85

national pits strike, the British Coal workforce in the Yorkshire area has been reduced from 28,000 to 13,000.

Mr Kevan Hunt, British Coal employee relations director, said the vote among NUM members was as sad as it was futile. He said: "The days have long past since there could be any reward for industrial action. If action takes place at any colliery it will threaten still further an already uncertain future."

"The proposals British Coal has made are essential if Markham Main is to have any opportunity to continue in the future."

Operations at Markham Main have shown a loss of £30m in the past five years.

## Words that spell business failure

By Andrew Jack

PHRASES such as "optimistic about the future", "thanks to our bankers for their support" and "poised to take advantage" in the chairman's statement in a company's annual report may spell the end of the business.

And the more incomprehensible the chairman's statement, the greater the likelihood that the business is in financial difficulties, a study has suggested.

Two academics have provided lay readers with a simple way of assessing corporate health by analysing chairman's statements in reports which UK companies produced in the 1980s.

Mr Malcolm Smith, from the school of economics, commerce and law at Murdoch University in Australia, and Professor Richard Taffler, from the City University Business School in London, found clear patterns when they examined the reports of 66 companies, half of which survive and half of which failed. They found that the statements from the failed companies' chairmen used sentences containing more words, and words with more letters and syllables.

In a separate piece of research they found a correlation between the incidence of particular words and phrases and financial failure.

The most fatal signs are nominal or non-payment of dividends, followed by any mention of closure, sale or disposal, bank support, loss and overdraft, loans or borrowing. Reference to "future loss" is a slightly stronger indicator of failure than of "future profit" but "new managing director appointed" is more negative than "managing director resigns".

A paper the academics presented at the British Accounting Association annual conference at Warwick University concluded: "Poor readability is associated with poor financial performance and ease of readability with relative financial success."

The cut in air links has forced passengers to travel overland to airports in Tunisia and Egypt, and there were reports yesterday that Col Gaddafi might seek to meet President Hosni Mubarak of Egypt in Cairo soon.

Mr Amr Moussa, Egyptian foreign minister, said the Libyan leader would be welcome for talks.

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Big promotion in the City: prowling past landmarks such as the Bank of England, a 20-foot model of a stegosaurus was being used this week to encourage visitors to the new permanent Dinosaur Exhibition at the Natural History Museum in west London

## Slowdown in jobless total boosts hopes of recovery

By Peter Marsh, Economics Staff

EXPECTATIONS of a move towards recovery have been strengthened by a broad increase in productivity across the economy and an apparent lull in the upward trend in unemployment.

The Department of Employment said output per person in the factory sector in the three months to February rose by 2.9 per cent compared with a year previously, the biggest quarterly rise since 1989.

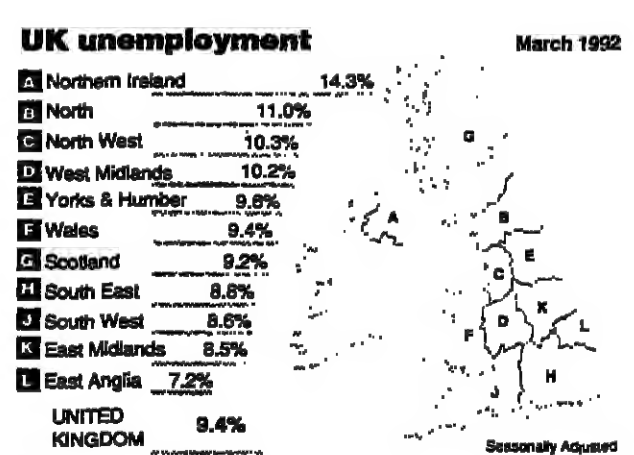
For economy as a whole productivity in the last three months of last year was 1.8 per cent higher than a year before, the largest increase for more than four years.

Seasonally adjusted unemployment rose by 7,400 in March, after a revised 37,800 in February. Although the figure took the total out of work to 2,652,300, the highest for more than four years, it was the smallest monthly increase since unemployment started rising in May 1990.

More good news for the government was that wages per unit of factory output rose in the three months to February by 4.5 per cent, compared with the same period 12 months previously. This was the lowest figure since mid-1989.

Across the economy, wages per unit of output rose by 5.7 per cent in the last quarter of last year compared with the same period in 1990, the smallest figure since late 1987.

The 23rd consecutive monthly increase in unemployment increased to just over 1m



the rise in people out of work since the recession started. However, the figure was smaller than the City had forecast.

It means the average monthly increase in unemployment in the three months to March is 33,700, compared with an equivalent figure of 42,400 in the three months to February. Unemployed people as a proportion of the available workforce remained at 9.4 per cent last month, the same as in February, ignoring seasonal variations, unadjusted unemployment rose by 3,010 in March to 2,707,477.

Four regions – the north west, the north, Wales and Scotland – experienced a decline in unemployment in March. The south east, which has borne the brunt of the recent rise in unemployment, was the worst hit in March.

Numbers out of work in the region, including greater London, rose by an adjusted figure of 7,600, pushing the unemployment rate to 8.2 per cent from 8.7 per cent.

In February the index of average earnings across the economy rose by an underlying 7.25 per cent compared with the same month last year. The equivalent figures for manufacturing and services were 7.75 per cent and 7 per cent respectively. In each case the figures did not change from the comparable numbers for the year to January.

Other employment-related figures included: ● Vacancies in jobcentres rose by a seasonally adjusted 3,200 in March to 127,500. The past six months have seen an average monthly increase of 3,500. ● The workforce in employment in December last year was 25,597,000, a fall of 236,000 in the final quarter and a reduction of 997,000 for the whole of 1991.

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## Kuwait awarded parts of Iraq

A UN COMMISSION setting Iraq's long-disputed southern border has granted Kuwait part of Iraq's only serviceable seaport and a larger portion of the Rumaila oil field. AP reports from New York.

The decision is certain to anger Iraq, which used an old border dispute with Kuwait to justify its August 1990 invasion of the emirate. A US-led alliance drove Iraq from Kuwait in February 1991.

The Iraq-Kuwait Boundary Demarcation Commission said Kuwait would be given part of Umm Qasr, which is linked to the Gulf by the Khaf Al-Buhayr waterway and is near Iraq's major offshore oil terminal.

Iraq's main port, Basra, has been unusable since the 1980-88 Iran-Iraq War, when sunken ships clogged the Shatt-al-Arab waterway between the port and the Gulf. The commission's rulings also grant a greater portion of the Rumaila oil field to Kuwait.

It was not clear whether Iraq would comply with the rulings. Iraq is represented on the commission but did not participate in the vote on its rulings, apparently in protest. Iraq accepted all terms of the ceasefire agreement that marked its defeat in the war, including the creation of the commission. However, UN officials say Iraq has not complied with other provisions of the ceasefire, including demands for co-operation with UN inspectors overseeing the destruction of its weapons.

## Libyans may be ready to face trial abroad

By Our Middle East Staff

LAWYERS for the two Libyans accused of involvement in the bombing of the Pan Am airliner over Lockerbie in Scotland in 1988 yesterday offered contradictory assessments of their clients' willingness to face trial in the west.

Mandatory UN sanctions, including a ban on air travel to or from Libya, came into force on Wednesday after the regime headed by Col Muammar Gaddafi had refused to hand over the two men.

India's Congress party wound up its conference at Thiruvananthapuram with a declaration from Mr P.V. Narasimha Rao, the prime minister, that the state's role in the economy should "gradually taper off".

Mr Rao had earlier told delegates that there was "no viable" alternative to the pro-market policies the government had instituted. He said that the public sector could not continue to syphon off resources

from other sectors. However, Mr Rao added that the state's role in providing economic welfare should be enhanced. He pointed to the need to increase funds for primary education and health.

During the three-day meeting, the government ran into far less talk from the floor over the shift in economic policies than had been expected. The leaders proposed a pledge of the party's continuing faith in socialism and the Nehru model of a planned economy.

The coalition holds only 195 seats in the 300-member lower house, so it could prove fragile. Gen Suchinda has put his own appointments in charge of the key interior and finance ministries, and kept the defence portfolio for himself.

Mr Suthes Singhasaneh, an fiscally orthodox technocrat, remains finance minister, as he was in 1986-1988 and has been since the coup d'état last year, led by Gen Suchinda.

The increase is part of a package for 70,000 shop, clerical, transport and catering workers which will add \$50m to the Co-operative stores' pay bill in a full year. It is being recommended by Usdaw, the shopworkers' union.

The proposed deal, which incorporates annual rises, provides a guaranteed basic minimum increase, excluding unsocial hours payments, of 4.5 a week or 4.2 per cent, whichever is the higher, for all full-time adult workers. This compares with an inflation rate of 4 per cent.

With the simultaneous introduction of a new grading structure for retail employees, most will receive bigger rises.

The revision of the pay structure is similar to exercises undertaken by other retail employers including Tesco and J. Sainsbury in recent years. All have wanted to guard against claims from female employees that they were

## New Thai cabinet appointed

By Peter Ungphakorn in Bangkok

A NEW Thai cabinet – made up of 41 politicians, four generals and four technocrats – was appointed yesterday, almost a month after the general election.

The prime minister, General Suchinda Kraprayoon, and the five parties that have agreed to support him, had difficulty in agreeing how to share portfolios.

The coalition holds only 195 seats in the 300-member lower house, so it could prove fragile. Gen Suchinda has put his own appointments in charge of the key interior and finance ministries, and kept the defence portfolio for himself.

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## Co-op checkout staff awarded 6.8% rise



## NEWS: UK

# Agents set to call in assets of Gooda Walker Names

By David Barchard  
and Richard Lapper

AGENTS are likely to begin calling in funds lodged by Names in the troubled Gooda Walker and Devonshire Syndicates next week, following a court judgment on Thursday.

Mr Andrew Pincott, of solicitors Elborne Mitchell, which represented 78 Lloyd's agents in a case brought against them by 820 Names, said: "The cash calls will go ahead. There

is no doubt about that." The Names - individuals whose assets support insurance underwriting - were seeking injunctions to prevent Lloyd's drawing down the deposits which Names must deposit when they join the market.

Few expressed surprise at the court's decision. "We only ever thought there was a modest chance of our legal action succeeding," said Mr Alan Porter, deputy chairman of the Devonshire action group.

Over 3,000 Names on four syndicates formerly managed by the Gooda Walker agency are worst affected. Managers of the syndicates have made little progress in collecting £101m - called for at the beginning of March. The money is needed to pay insurance losses incurred in the 1989 and 1990 underwriting years.

The Names, represented by Mr Michael Freeman, argued the cash calls were "improper". But Mr Justice

Seville ordered them to be paid. Mr Freeman said the Names took heart from the fact that Lloyd's - which joined the members' agents as a second defendant - was refused costs.

An appeal was unlikely. But the case would now be transformed into a "substantive action for damages and loss".

Mr Pincott described the ruling as a benchmark verdict. "It establishes that calls will proceed unless they

are dishonest or made for improper purposes," he said.

Mr David Coleridge, chairman of Lloyd's, welcomed the judgment: "The primacy of this principle 'pay now, sue later' has been upheld."

Nevertheless, the decision will not prevent other efforts to obtain injunctions. Mr Alfred Doll-Steinberg, chairman of the Gooda Walker Action Group, said last week he would take action before the end of the month. Separately, another

group of Names - being organised by an American lawyer, Mr Andrew Grossman - is seeking injunctions on the grounds that the loss-making spiral reinsurance contracts entered into by Names could contain flaws which enable Names to apply to have them set aside.

Names who have suffered said yesterday that they were not surprised by the High Court ruling, and would step up the work of action groups which could start

legal proceedings for breach of contract and negligence. As for the final outcome, Names hit by the cash calls are generally realistic about the seriousness of their chances of retrieving the situation. "We are fairly confident that there will be some sort of market settlement but the people who have been slaughtered will not be rescued," said Mr Richard Platts, a retired university lecturer and a member of the troubled syndicates.

## Euphoria succumbs to hard currency reality

Peter Norman looks at the change of mood in the money markets

BRITAIN'S interest-rate euphoria proved short-lived. Hopes that Mr John Major's winning of a fourth term of government might be followed by a swift fall in borrowing costs have been dashed.

Events on the money markets since last week's election victory suggest that the government is in no rush to lower rates. Once it is, it will find its power to determine interest-rate policy is limited.

UK membership of the European Monetary System protected sterling from speculative attack in the election campaign. But the EMS is now more likely to be blamed for preventing the government from bringing interest rates more into line with the country's needs.

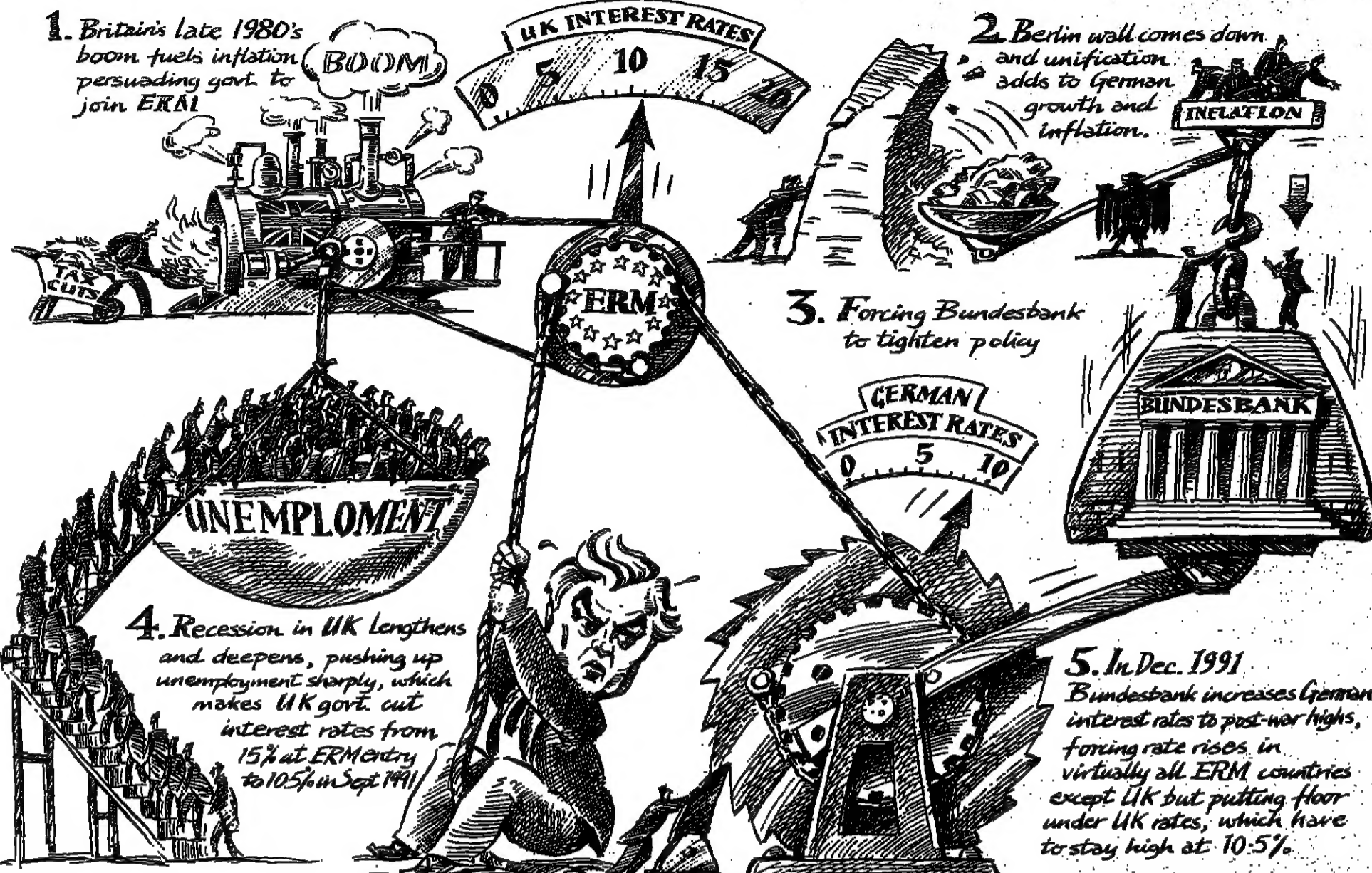
Bank base rates, which have been stuck at 10.5 per cent for more than six months, are unusually high given that the UK is struggling to get out of its longest recession since the 1930s and that inflation, as measured by the retail prices index, has fallen to a year-on-year rate of 4 per cent.

Yet the chances of a big cut are slim, and will remain so while Germany's Lombard rate stays at the 9.75 per cent fixed in December when the Bundesbank announced a 0.5 percentage point increase in Germany's key interest rates.

Germany still provides the anchor currency for the EMS. In spite of a surge of inflationary pressures since unification, the view in the Treasury is that the present 0.75 per cent differential between UK and German short-term interest rates is small by historic standards, making a cut in UK rates less likely in the absence of lower German interest rates.

A modest 0.5 per cent cut in UK base rates cannot be ruled out, however. The authorities have been waiting to see how sterling settles down after the election. The chances of a rate cut could increase if sterling continued to strengthen and moved above its DMO.95 central rate in the EMS exchange rate mechanism.

So far, the Bank of England has displayed no enthusiasm



### Norman's Lament and the Rate's Progress

Norman

for a cut. In response, the three-month interbank rate, which often acts as a guide to base rate movements, was only slightly below base rate at about 10% per cent this week.

During the election campaign Mr Norman Lamont, the chancellor, made clear that he accepted the constraints imposed by UK membership of the ERM. He said that historical evidence would probably say that Britain joined the ERM at a very difficult period.

But the chancellor nailed his colours to the ERM mast when he told a group of Birmingham

businessmen that it was providing Britain with greater price stability, which would help the international competitiveness of UK industry. Although in many ways a Euro-sceptic, Mr Lamont clearly regretted Britain's non-membership of the ERM over the past decade. It would have helped the UK "enormously" in keeping inflation under control, he said.

Britain's ability to cut base rates from 15 per cent at the time of ERM entry - and not to follow the majority of Germany's ERM partners in rais-

ing rates following the German move in December - is regarded in the Treasury as an achievement in itself. The dangers for the UK of lowering interest rates to the German level or below were highlighted by France's experience at the end of last year, when the Bank of France was forced to raise its money market intervention rate to 9.8 per cent from 9.25 per cent following the Bundesbank's tightening of policy.

Nor does the Treasury believe that sterling interest rates would fall below German

rates if the pound quit the ERM. It points out that since 1978 there has only been one very brief period - in 1981 - when UK short-term rates were lower than German ones. That was after two years when sterling had been unexpectedly strong, allowing it to build up credibility in financial markets. A strong pound is an integral part of the UK's counter-inflation policy.

With an open economy such as Britain's, the Treasury cannot risk the imported inflation that might arise from a US-type policy of cutting inter-

est rates sharply and tolerating currency depreciation.

Such policies can also have unwelcome effects if bond markets sense an inflationary danger. While the US federal funds rate has been cut to 3.75 per cent, US bond yields are substantially higher. The US Treasury 10-year bond currently yields 7.35 per cent while yields on a comparable UK government bond, at about 8.15 per cent, are below base rate.

Another telling argument against an early and sharp cut in UK interest rates is political. Mr Major has won an election

victory in spite of the recession that followed the post-election boom of 1989. A government priority now will be to bring the electoral and economic cycles back into synchronisation so that the Conservative party does not have to fight the next election in similarly unfavourable circumstances.

Before embarking on significant interest-rate cuts, therefore, the government may wait until Germany starts to lower its rates. Indeed, German money market rates this week have been indicating no change for at least six months.

## North Sea gas project to go ahead

By Deborah Hargreaves

CONOCO, a subsidiary of DuPont, the US group, and Total Oil, the French resources group, have been given approval for a £400m gas project in the North Sea in a development that could open up large additional reserves in the area.

Conoco estimates that potential gas reserves around the new development, which is 180km off the Lincolnshire coast, are as high as 2,000bn cubic feet.

The two companies plan to develop separately the Caister and Murdoch gas fields in the southern part of the North Sea and build a gas gathering and pipeline system as a joint venture. Lomo, Arco and Canadian Oxy are minority partners in the project.

Caister is estimated to contain 320bn cu ft of gas and 2m barrels of gas condensate and Murdoch has reserves of 300bn cu ft and 3.5m barrels of condensate.

Gas from the complex will start to flow in the last quarter of next year, reaching a peak in 1994 of 300m cu ft a day. The pipeline system will have capacity to carry 750m cu ft of gas a day and will be able to link with new discoveries in the area.

Caister gas is already sold under contract to National Power, the electricity generating company, and negotiations are at an advanced stage on the sale of gas from the Murdoch field to the UK industrial market.

## Major will be urged to hold Scottish referendum

By David Owen

LEADERS of the Scottish Constitutional Convention are to call on Mr John Major, the prime minister, to hold a referendum on Scotland's future.

The move, announced after yesterday's meeting of the convention's executive committee, follows the general election in which the Tories increased their total of Scottish seats to 11 while receiving 25 per cent of the vote north of the border.

It comes less than a week after the Labour party in Scotland challenged Mr Ian Lang, the Scottish secretary, to hold such a referendum.

Leaders of the convention, which includes Labour and the Liberal Democrats, will make fresh overtures to the Conservatives and the Scottish National party, both of which have boycotted the convention since it was founded in 1989.

According to Canon Kenyon Wright, executive committee chairman, the convention's model for a devolved parliament within the UK with limited tax-raising powers has been "put on one side for a while".

Canon Wright suggested Mr Major's appointments to the Scottish Office indicated he was trying to accommodate the union. What would most endanger the union would be an attitude that present constitutional rules were unbreakable, he said.

Earlier, Sir David Steel, the former leader of the Liberal party, urged the government to consult other parties about holding a referendum, saying Mr Lang had not ruled this out.

Mr Patrick Mayhew, Northern Ireland secretary, prepared the ground for restarting "round-table" talks on the province's future yesterday

with leaders of the nationalist Social Democratic and Labour party and the cross-community Alliance party.

He will meet Irish ministers in the next two weeks, after which a gap in Anglo-Irish conferences is expected to be announced - paving the way for the resumption of the talks which were suspended before the UK general election.

The Earl of Argyll, formerly at the Ministry of Defence, is to become a junior minister at the Northern Ireland Office, it was announced yesterday. He is replaced at the MoD by former Tory MP Viscount Cranborne, who becomes a life peer.

His appointment completes the prime minister's post-election ministerial shuffle.

Mr Malcolm Bruce, the Scottish Liberal Democrat leader, is to stand down from the post. Nominations for the election of his successor close on May 15.

## Boost for mortgage rescues

By David Barchard

MORTGAGE rescue schemes have been given a fresh boost by a decision of the Building Societies Commission, the industry watchdog, to allow societies to take part in syndicated loans on property.

The move allows societies to lend jointly to housing associations which want to buy flats and houses from the public sector. That will enable risk to be spread between several societies.

The new power comes into force on June 1, but only societies with assets of more than £100m - about 60 of the total 90 societies - will be allowed to use it. Approval from their annual general meetings will be required, but that is not expected to prove a cause of delay as most such meetings are to be held in the next two months.

## Many offices 'do not meet needs'

By Vanessa Houlder, Property Correspondent

MANY OFFICES built during the late 1980s do not fully meet occupiers' needs, according to a report by Debenham Tewson Research, a property adviser.

The report says companies seeking to relocate are often faced with an inadequate choice which forces them to make compromises. Mr Stephen Webster, a director of Debenham Tewson Research, says: "Even in today's market, office oversupply turns out in many cases to be illusory." The figures on overall supply mask gaps in the market in terms of size and quality of buildings, he says.

Much of that which has been built by the development industry does not fully meet occupiers' requirements, either in terms of location or specification," he adds.

The researchers examined the property market in the north-western sector of the M25, where there is an apparent abundance of empty office space. It found that 30 companies which had decided to move to the area had difficulty in finding ideal premises.

Although the companies were usually satisfied with the amount of space, the cost of the building and the quality of finish, they made compromises on factors including air conditioning, parking spaces and the architectural quality of the building.

The report says developers carried out inadequate research into the needs of their tenants. Speculative developments are also handicapped by the need to cater for as wide a range of potential occupiers as possible.

Office Demand: Choice and Compromise. Debenham Tewson Research, 44 Brook Street, London W1A 4AG. Free.

move or return to City firms or lobby. The focus of activities will switch from communications to research.

The Liberal Democrats will part company with most of their workers hired on temporary contracts, although the party will try to ensure that no full-time employees lose their jobs.

A review of staffing at Westminster and party headquarters is to be undertaken in the next month.

## The party is finally over for campaign workers

By David Owen

NO SOONER has the race for seats at Westminster ended than the race to cut costs is under way.

After nearly 18 months of extravagant electioneering all three main political parties are scrambling to get their costs under control.

Mr John Major's "battle bus" is back in mothballs and everything from mobile phone reinforcements to the campaign

aircraft have been returned to their rightful owners.

But, above all, the staff reductions have started. Mrs Gillian Shepherd, the new employment secretary, may look in vain for "glimmers of hope" in the April and May unemployment figures if trends among political workers are any guide.

The Labour party is engaged on arguably the severest retrenchment, issuing redundancy notices to between 90

and 95 staff around the country who were hired on temporary contracts over the past two years.

Those receiving notices include Mr David Hill, Labour's director of communications - although in his case the contract is likely to be extended. The party said: "We are not proposing to move ahead in three weeks' time without a director of communications."

All told, Labour is aiming to

reduce numbers to less than 200 around the country from about 300 at the height of the campaign. The cash-strapped party is expected to run a tight ship in the aftermath of the election, operating with fewer staff than it had on the books two years ago. On a more positive note, the party said it had stayed within its election budget and grossed more than £2m from its fund-raising activities during the campaign.

It made a profit from escort-

ing journalists on Mr Neil Kinnock's energetic campaign tour. Many newspapers, having paid more than £5,000 for the privilege of accompanying the Labour leader, will not be surprised by this.

At Conservative Central Office numbers will be whittled down to a core staff of 150 from 335 during the election campaign, as volunteers depart. Several longstanding employees will also take advantage of a natural break to

move or return to City firms or lobby. The focus of activities will switch from communications to research.

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## Fimbra acts after Renton arrest

WAVERLEY Fund Management, the private-client arm of unit trust managers Waverley Asset Management, has been suspended by regulators after one of its directors, Mr Kenneth Renton, was arrested and charged at City of London magistrates' court on Thursday with obtaining £1.55m by deception, Norma Cohen writes.

Mr Renton, who resigned as a director of Edinburgh-based Waverley Asset Management on February 6, was also a director of Wentworth Investment Services. On Wednesday Wentworth was suspended by Fimbra, the financial advisers' regulatory body, in connection with the alleged disappearance of £4.5m from four investors.

It is not clear how much investors' money is said to be missing from either of the two firms. Although Mr Renton was a director at Waverley, a holding company for several investment businesses, he was said to have had responsibility for only the private-client business. Waverley has been winding down its private-client business for some time and had about £1m under management, according to an official there. It is believed that all of those funds are missing.

Meanwhile Waverley's other businesses, which include the management of quoted unit trusts, are under review by Imro and Lauro, self-regulating bodies to which Waverley belongs. The company said yesterday that it had not received notification of any official investigation, although "discussions with Imro have naturally taken place following the arrest of Mr Renton".

There is no suggestion that other directors of Waverley knew of Mr Renton's alleged activities nor that other businesses have been affected. Regulators are due to meet the directors on Tuesday.

## Adviser suspended

FIMBRA, the financial advisers' regulator, has suspended Securicare Financial Consultants of Eford, Essex, and Mr Barry Lehaney, the firm's owner.

The firm was authorised to give investment advice and to arrange transactions but not to handle clients' money.

## N-station stays shut

NUCLEAR Electric, the state-owned nuclear power utility, will have to carry out more safety work on its Trarwayford station in North Wales before the safety authorities will allow it to restart.

The station has been shut down for 15 months because of concern about embrittlement of its ageing Magnox reactors. The utility said on Thursday that the safety authorities had accepted the case for returning the reactor to service for six months.

## Pilot blamed for rig crash

A HELICOPTER crash on a North Sea oil rig which killed six men in July 1990 was the pilot's fault, an inquiry report ruled yesterday.

The helicopter hit a crane on the Shell oil installation Brent Spar and plunged into the sea killing the pilot, his co-pilot and four oilmen. Sheriff Douglas Risk said Captain David Anderton made his approach in such a way that the tail rotor was pointing towards the crane, which was out of his sight.

## Public deficit

PUBLIC-SECTOR finances deteriorated by a record £8.4bn in March as big increases in government spending and weaker tax revenues led to higher borrowing. The monthly figure, the highest since records began, brought the public sector borrowing requirement for the fiscal year to £13.9bn.



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## FINANCIAL TIMES

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Saturday April 18 1992

## Spring fever in London

AT FIRST sight, Mr John Major knows something that the rest of us don't. Not only was his political self-confidence triumphantly vindicated, but the British economic recovery has been forecasting for so long that just when everyone had given up believing in it. The figures remained grim up to polling day; but in the week since we have learned that output rose in February, and unemployment almost stopped rising in March.

The prime minister will have been less pleased with news that producer prices and average earnings are still rising quite strongly; more has been expected of ERM discipline. But the stock market, now taking a rosy view of everything, has no doubt concluded that price rises show industrial confidence, while higher earnings are a strong foundation for rising consumer demand. Against this apparently improved economic background, the 10 per cent rise in equity values since the surprise Conservative victory looks like sobriety itself.

Investors with long memories, however, will know that there is a standard contrarian response to election results, especially to an unexpected result: buy on a Labour win, sell when the Tories come back. The market stages an instant funeral or celebration, and then relapses to its previous trend. That conventional wisdom is supported by any long-term chart of moving average share prices: there is almost no sign of changes of government. However, this formula has no clear message at this stage, for by Thursday the market had fully recovered its underlying trend, but had not yet overshot it. Economists have their own way of dampening high spirits, as is their dreary habit: don't extrapolate figures for a single month, and do look at the fine details. This changes the picture quite drastically. On the three-month moving average, output was still falling in February, while the unexpectedly good unemployment figures for March simply balanced the unexpectedly bad ones the month before. There is also evidence that some planned lay-offs were postponed in March to avoid the election season.

## Darwinian process

Output prices are a matter of detail, not trend. All the bounce was in one sector - drink and tobacco. This suggests that in the UK, as in the US, these industries are offsetting the decline in demand for their products by pushing up prices aggressively. It is a rise in the cost of addition, or the wages of sin. This is one way to confront weak markets, and has interesting implications for equities in these sectors, but says nothing at all about confidence in yet.

## general

The rise in the wages of work reflects quite a different response to demand weakness, and may be the real good economic news this Easter. This is the first British recession in living memory in which productivity, especially in manufacturing, has gone on rising while output fell. This is partly a Darwinian process, as the least efficient companies close down, but also shows positive progress, shown most spectacularly last week in Rover's Japanese-style labour agreement - "a greenfield agreement on a brownfield site", as the management proudly claimed.

Employers have been achieving improvements which would have been regarded as unbelievable not long ago, and have been happy to reward labour for its co-operation. This may raise the "going rate", and so push up costs and prices in less exposed parts of the economy, especially in the service industries. The bad news is that the resultant inflation numbers will persuade the government that it must squeeze for the indefinite future - when the banks are already applying all the restraint that even a puritan could demand. But the good news is that manufacturing industry may be better able than the Labour party's devaluationists imagine to live with a demanding exchange rate.

## Merciless squeeze

The good-news bad-news story really describes the British outlook very well: high wages but high unemployment; good profits for the efficient but a merciless squeeze on the indebted; a fairly sluggish growth in domestic demand, but inviting costs and labour relations for foreign companies seeking new capacity. Membership of the ERM is thus working in unexpected ways, doing less than expected to cut inflation, but speeding up the internationalisation of the UK economy. That may in the long run be the best news of all for investors, for it suggests that UK shares will steadily rise above their high-yielding, poor-relation status in world markets.

But there are two cautions. First, most British companies must more fully earn the dividends they are already paying. Second, it takes two or more to converge. While Wall Street is testing new highs as a real though probably undramatic economic recovery is confirmed, Tokyo has lowered the international target as dramatically as anyone could wish. The collapse there has not yet spread internationally, as pessimists have expected. Indeed, Tokyo funk money may be helping to support London and New York. But the dust cloud is likely to obscure long-term prospects for some time yet.

"It is coverage wanting humanity, common sense and, not incidentally, news. It is as if the plague of post-modernism had infected the newspapers of our greatest newspapers."

— Ward Just, veteran foreign correspondent and author, writing in the Washington Post.

"That is the first position thing I've read or heard about him this year."

— Anne Nesbet, lecturer at the University of Colorado, on being told last week a mildly complimentary anecdote about Bill Clinton.

It is now a cliché to describe this American election year as one of great political disaffection. Usually the blame is assigned somewhere between the magnitude and intractability of the problems facing the country and the shortcomings of those who want to lead it. Though the problems of earlier times might be comparable, nobody of sound mind will claim that George Bush or Bill Clinton and possibly Al Gore are reincarnations of George Washington, FDR and possibly Theodore Roosevelt.

But the question is whether responsibility for this sad state of alienation might also extend to the fourth estate, the presumed great intermediary between the problem and the solution. There is much to this than standard journalistic angst, for it really is the stuff of everyday conversation from Maine to California.

In Britain, Neil Kinnock believes Labour's defeat was in good measure attributable to the Tory press. Right or wrong, nearly four out of five eligible Britons cast a ballot. By contrast, the US does not have an ideological mass media and yet, having a remarkable reversal of all known trends, this November fewer than one in two will bother to vote for a president.

Even if this comparison fails to take full account of differing political and social structures, it is hard to deny the correlation between the changing face of the US media and the engagement of the public in political life.

The case for the prosecution can be briefly put: the media's long adversarial tradition of hard reporting and muckraking, which claimed mighty scalps from Boss Tweed, the 19th-century Tammany Hall boss in New York, to Richard Nixon, and which made its share of mistakes as well, cannot but be contrasted with today's tendency to presume wrongdoing about anybody even contemplating entering the public domain, either politically or in any other capacity. Somewhere in the wash, the necessary conveyance of conventional news gets lost.

The politicians are not the only ones under the gun. Last week Arthur Ashe, the retired tennis player, was "outed" as an AIDS sufferer by USA Today newspaper. There was also an extraordinary investigation by the Washington Post into the detailed deliberations of the Noriega trial jury, focusing not merely on why they disagreed but who disagreed with whom.

The media justification in both cases, as with its scrutiny of the politicians, is that Mr Ashe was already a public figure while the Noriega jury *de facto* became a collective one. The New York Times argued that raising consciousness on AIDS mattered more than any right Mr Ashe had to privacy. Similar logic was applied universally to the Noriega trial, with the sanctity of jury deliberations considered secondary to the public's "right to know". The line from the Clarence

## Mud-slinging turns the US off

Political disenchantment can be linked to the role of the media, writes Jurek Martin



Thomas hearings and the Kennedy Smith and Tyson trials is clear: no one gets left unturned.

Mr Clinton knows now that he can have no secrets. Russell Baker, in one of his more semi-serious columns in the New York Times, argued that Mr Clinton had been battle-hardened by the experience, especially in New York. The more common view is that the pursuit of his private and public life, rather than his policies, has seriously weakened his candidacy.

Time magazine, for example, this week devoted its cover story not to why he won three primaries, but to why he is not trusted. Time's poll sample of 587 opinions was evidently considered a more important diagnostic resource than the approximately 500,000 who actually appear for Mr Clinton on April 7. The American media's reflex faith in polling has yet to be undermined by evidence from across the Atlantic.

Switching its targets, but not raising its standards, last week ABC News reported without a shred of broadcastable evidence that the house of Jerry Brown, when governor of California, might have been used for parties, in his presence or not, at which narcotics might have been consumed. His rejoinder - "Anyone who knows me knows I don't give parties" - paled into insignificance compared with a presumed past sin.

Going for the front-runner is an old game. Mr Brown is not alone in

arguing that it was the media who isolated Bill Clinton favourite in the first place, long before anybody voted anywhere. It was thus placed under a particular obligation to scrutinise and dispatched squads of reporters to Arkansas. It follows that once Mr Brown won the Connecticut primary, he became eligible for the full treatment. So, for a while, did Pat Buchanan on the Republican side, though it may also be the case that, as a media man himself, he was treated rather gently in the beginning.

By this logic, President Bush should be next. The proven involvement of his son, Neil, in a savings and loan scandal appears far worse than any conflict of interest still totally unproven, involving Mrs Hillary Clinton and her Arkansas law firm. And if Mr Clinton strayed from the marital bed, there are plenty of rumours the president has, too.

But it is also considered axiomatic that the Bush people stand ready to feed the media even more dirt to use against Mr Clinton, should he win the nomination, to the point that the Willis Horton commercials that laid Mr Michael Dukakis low in 1988 will this year be reckoned tame enough to show on children's television. The only contrary argument is that the Bush people know the Clinton camp has dug up dirt on the president, thus

creating an unifying stand-off. This prospect has already been fully aired in the media.

So what is up? Like most changes, the US media has not transformed itself overnight. Among many evolutions, it has become more national, less parochial. USA Today is a ubiquitous publication; both the New York Times and Los Angeles Times, the best of east and west, now have national editions. In an atmosphere of more intense competition, the temptation to run with the story rather than check or edit it grows.

The relationship between the writing press and television, once characterised by an essential reliance for information by the latter on the former, has shifted. No longer is it virtually automatic that whatever appears on the front pages of the leading newspapers will appear on that evening's TV national news. TV sets the agenda more.

Now the news divisions of the three main networks, CBS, NBC and ABC, are in relative decline. They face competition not only from brah, smart and round-the-clock CNN but from their affiliate stations, which have prevented the extension of the national news from its current 30-minute format, preferring local news and entertainment, the two often indivisible. This year NBC is polling its convention coverage with public broadcasting, the chronic poor cousin, to save money.

Only CNN is substantially increasing its election budget this year. One result is the soundbite. In 1988, according to one delicious survey, the average time given to Richard Nixon and Hubert Humphrey to get over a point was 42.3 seconds. In 1989, this has dropped to 9.2 seconds, enough for Mr Bush or Mr Dukakis to say "friends, Romans, countrymen, lend me your ears" and not a word more.

A second consequence is the growing tendency to see paid political "attack ads" as newsworthy in themselves, because they are composed of soundbites, professionally made and save a bit of work. Curiously, the experience this year is that negative advertising may be ineffective. It certainly hurt Tsongas in Florida, Brown in New York and Buchanan in Georgia.

Television, itself the developer of the cult of the personality, has also made wrong journalists into celebrities. No back worth his or her salt in Washington is complete without a regular television or radio outlet. Candidates cannot escape either. So Clinton and Brown find it politically necessary to appear on the Phil Donahue show, normally devoted to matters typically addressed in the sort of supermarket tabloid which paid Gennifer Flowers to say what she wanted.

What the public senses is the absence of any consistent attempt to address the issues really bothering the country. This is now a complaint of the left as well as the right, which has long thought all but its own media a liberal cover. Last week, the University of Colorado put on its annual world affairs conference in Boulder, as good an event as any to test the liberal zealot. Almost without exception, panelist after panelist, including several self-flagellating journalists, denounced the trivialisation of the media.

To some this was yet another adverse reflection on the isolation of Washington, seen, in media as in politics, as an incestuous place. To others it reflected the inability or unwillingness of television to portray complex issues and the disconnection of the writing press to fill the substantive gaps left by television. And yet there is in the newspapers, and occasionally on television, no lack of analysis of what is wrong with the social and political fabric of the US. A Washington Post series by Dale Russakoff this week on the destruction of the dreams and prosperity of a Pennsylvania steel town is Pulitzer prize-worthy stuff, as, by universal acclaim, was a comparable exercise late last year by the Philadelphia Inquirer.

Nor is all political reporting and commentary devoid of content, on TV as well as in the print. To watch Robin MacNeil, of the MacNeil-Lehrer programme, grill Clinton and Brown together on foreign policy last month was to learn a lot. For anyone interested in the political process, the writings of R.W. Apple Jr, David Broder, Richard Cohen and a dozen others are mandatory and readily available, many syndicated nationwide.

But too often neither seen nor heard, and that is a problem. Ward Just, writing from Paris, is probably closer to Boulder than he knows when he writes: "This is what is going on; the fourth branch of government, powerful, numerous, smug and prudent, protected by its own constitutional amendment, is behaving like a gang of arrogant rich kids in an out-of-town saloon, where anything goes and no one prosecutes." Which is precisely what the public is also saying about its politicians.

## MAN IN THE NEWS: Sir Brian Jenkins

## Cheerleader for the City

Each autumn, a Lord Mayor of London comes and goes, and few outside the ornate Mansion House much care - or even notice - unless the tri-corn hat, lace and gold chain catch the corner of the television screen during the chancellor's or prime minister's annual speeches to the City.

Not so with this year's incumbent, Sir Brian Jenkins. London's 664th Lord Mayor, is hardly a household name, but he has done more to put the City Corporation on the map than most of his predecessors. This week he won plaudits for his calm and efficient direction of operations after the bombing of the Baltic Exchange; last month he launched a high-profile campaign to make London home to the proposed European Central Bank - a delicate mission, given Mr Major's delicate balancing act on European Monetary Union. And since taking office five months ago he has publicly lambasted Labour's now-redundant plans to abolish the City Corporation and create an elected pan-London authority.

"The general response has been marvellous," Sir Brian says of the efforts of staff, companies and back-up services after last week's carnage. As for the Lord Mayor himself, he rushed out of the Blacksmiths' dinner and hardly got a break for the next three days, trying to get things back to normal. "It showed how important it is for the City to have its own authority - and how much it values it."

Sir Brian, 56, is a City man *par excellence*. A senior partner with the accountancy firm Coopers & Lybrand Deloitte - head of its audit practice until last year - his

professional life has rarely strayed outside the Square Mile. In 1960, he joined the Corporation as an Alderman, spent the decade serving on its committees and became Sheriff in 1967. He sits as a City JP, is a churchwarden at St Mary-le-Bow, and president of the Bow Lane Association. Even his school - Tonbridge, Kent - has City connections: it is run by the Skinners' Company.

His career is a snapshot of how to rise through that extraordinary institution, which claims to be older than parliament itself - the City Corporation. Few realise that the Corporation is more than the Lord Mayor's parade: it is a fully-fledged local authority on a par with - though with far greater powers and resources than - London's 32 borough councils.

Only a country with a hereditary monarchy and a House of Lords could tolerate the archaic City Corporation in the 1990s. It operates like this. Some 14,000 voters - most of them non-residents - from 25 wards elect 189 common councilmen and 26 aldermen to run the Corporation. Each year one of the aldermen is selected as Lord Mayor by his colleagues from two candidates nominated by the 15,000 livermen of the City's guilds. Livery companies are successors of 11th-century religious and social fraternities: there are now 100 of them, ranging from the ancient Apothecaries and Fishmongers companies to Sir Brian's own Worshipful Company of Information Technologists.

After that, it may not seem odd that the Corporation should have its own police force, plus responsibility for Epping Forest, Hampstead Heath, the Old Bailey, and the



Quarantine Station at Heathrow Airport.

For all its peculiarities and mediaeval customs, the Corporation works. "It is inconceivable that anyone in his right mind would tamper with us unless there were strong evidence that London would be better off as a result," says Sir Brian. "Rather than dwell on further organisational change, those responsible for London should find ways of co-operating with each other. Every businessman knows you re-organise when you can't manage to do things well as they are - and now the election is over I hope we can put that debate behind us."

Promoting London as venue for the Central Bank is top priority for the rest of his term. Last month the Corporation voted £1m for the task; Sir Brian has lobbied the European Commission, and has trips planned to Paris, Athens, Madrid, Berlin and Luxembourg to further the cause. "The bank may never materialise

- in the Maastricht timeframe, at least. But if it does, the Lord Mayor is adamant that London should be its home - and by implication that sterling should be subsumed in the European currency. "The case for London is compelling: it's not a question of doing down the competition, but of emphasising the vast experience and expertise contained in this City. By any objective test, London is the best location."

And what of the Corporation itself, now the electorate has issued a reprieve? The Corporation's primary task is to act for the City, says Sir Brian, but he is emphatic that "we should not see the City in isolation. We are a great Hoover taking out of the system and we ought to be putting a lot back." He is keen for the City to support - perhaps even run - the London Promotion Centre floated by Michael Heseltine and promised in the Tory manifesto. Somerset House is a likely venue. Appropriately, his sponsored charity for the year is "Learning Together" - a project run by Community Service Volunteers to encourage undergraduates across the country to volunteer to spend an afternoon a week helping in a local state school.

At the end of the day, though, a local authority serving 5,000 residents and extending one and five-eighths miles at its longest and seven-eighths of a mile at its shortest is bound to look fairly ridiculous. It might be otherwise: the likely demise of the Docklands Development Corporation in the mid-1990s could offer a golden opportunity for the City Corporation to marry London's new and old business districts - were Sir Brian and his successors to impress Michael Howard, the new environment secretary, of the merits.

Will they even try? "Ah, that's tricky, old boy," says a Corporation insider. "There are lots of residents down there - it would mean party politics and all that." The City, of course, has no politics.

Andrew Adonis

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The first of the FT's Law Reports is on Tuesday together with a feature on Small Businesses, and the daily Management and Technology pages.

On Wednesday, you'll find top management positions on offer, both financial and non-financial. We also take our weekly look at Business and the Environment.

In Thursday's FT, we focus on, among other things, Marketing and Advertising, Accountancy and the law as it affects business. On Friday it's the turn of Industrial and Commercial Property.

There's a great deal more than you may think in the pink pages. Pick up a copy of Monday's FT and find out.

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FT-100 SHARE INDEX

# ECONOMIC DIARY

**TODAY:** North and South Korean officials are expected to meet in Panmunjom in the framework of new exchanges.

**TOMORROW:** Scottish TUC annual conference in Perth (until Friday). Main opposition Democratic Progressive Party in Taiwan is expected to hold a major demonstration to demand democratic reform.

**MONDAY:** Expo '92 exposition opens in Seville (until October 12). NASUWT annual conference in Scarborough (until Thursday).

**TUESDAY:** IMF/World Bank spring meeting in Washington (until April 26). Mr Jacques Delors, president of the European Commission, will meet Mr George Bush, US president, in Washington. Meeting of Mr Alois Mock, Austrian foreign minister, and Mr Franz Andriessen, European Community external affairs commissioner, expected to focus on Austria's application to join the European Community.

**WEDNESDAY:** The Welsh Office publishes the index of production and construction for Wales (fourth quarter). Major British banking groups issue monthly statement (March). Bank of England issues provisional estimates of monetary aggregates (March). New round of Mozambique peace talks due to start in Rome.

**THURSDAY:** Publication of British Chambers of Commerce economic survey (first quarter). US jobless claims; durable goods orders (March). Annual meeting of British Petroleum.

**FRIDAY:** Central Statistical Office publishes balance of payments current account and overseas trade figures (March) and retail sales (March - provisional). The prime ministers of the Commonwealth of Independent States are expected to meet in Kishinyov.

## FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS		Thursday April 16 1992		Fri Apr 17		Sat Apr 18		Sun Apr 19		Year ago		Highs and Lows Index	
& SUB-SECTIONS													
Figures in parentheses show number of stocks per section		Index	Day's Change	End Week's High/Low	End Day's High/Low	End P/E Ratio	Ind Adj 1992 to 1991	Index	Index	Index	Index	High	Low
1	CAPITAL GOODS (17)	863.45	+0.8	7.12	5.39	10.16	10.84	856.68	946.72	836.04	868.17	863.45	16.4
2	Building Materials (22)	1093.34	+0.0	5.74	5.51	24.59	18.16	1075.35	1075.32	1075.32	1075.34	872.32	10.1
3	Chemicals (22)	990.34	+0.5	6.71	6.17	22.82	9.14	975.30	967.63	951.26	983.55	960.34	16.4
4	Electronics (29)	1081.77	+0.4	9.56	4.90	20.99	24.94	1042.34	1040.41	1024.52	1057.16	1041.74	9.2
5	Engineering-Aerospace (7)	263.51	+0.0	9.35	6.77	13.61	11.08	261.34	261.34	261.34	261.34	229.66	2.1
6	Engineering-General (44)	525.46	+0.9	8.00	4.49	15.51	6.31	526.78	509.83	499.76	546.72	525.46	2.1
7	Food (22)	392.28	+0.6	7.74	9.92	-	0.32	340.68	331.33	324.59	347.87	349.98	2.1
8	Health and Medical Products (8)	347.26	+0.6	7.53	6.77	17.41	6.61	346.96	334.78	324.34	349.98	347.26	2.1
9	Industrial Chemicals (10)	1755.82	+0.5	6.96	4.72	17.41	2.45	1755.82	1755.82	1755.82	1755.82	1755.82	2.1
10	Other Industrial Materials (10)	1755.82	+0.5	6.96	4.72	17.41	2.45	1755.82	1755.82	1755.82	1755.82	1755.82	2.1
11	CONSUMER GOODS (24)	1711.96	+0.5	7.04	3.27	17.44	11.54	1735.94	1735.94	1735.94	1735.94	1711.96	8.4
12	Breweries and Distillers (24)	2123.91	+0.9	7.61	3.43	18.13	11.54	2123.91	2123.91	2123.91	2123.91	2123.91	8.4
13	Food Manufacturing (17)	1287.42	+0.2	8.51	4.07	14.65	17.10	1284.74	1284.74	1284.74	1284.74	1287.42	8.4
14	Food Retailing (18)	2790.82	+0.8	8.26	3.89	15.64	6.61	2790.82	2790.82	2790.82	2790.82	2790.82	8.4
15	Health and Household (24)	1333.94	+1.5	8.31	2.44	15.64	6.61	1333.94	1333.94	1333.94	1333.94	1333.94	8.4
16	Hotels and Leisure (20)	1406.55	+0.8	8.13	4.05	17.05	13.71	1395.63	1395.63	1395.63	1395.63	1406.55	8.4
17	Media (25)	1407.12	+0.6	8.00	3.41	20.82	13.71	1395.63	1395.63	1395.63	1395.63	1407.12	8.4
18	Non-Ferrous Metals (10)	1406.55	+0.8	8.13	4.05	17.05	13.71	1395.63	1395.63	1395.63	1395.63	1406.55	8.4
19	Steel (10)	1406.55	+0.8	8.13	4.05	17.05	13.71	1395.63	1395.63	1395.63	1395.63	1406.55	8.4
20	Textiles (10)	1406.55	+0.8	8.13	4.05	17.05	13.71	1395.63	1395.63	1395.63	1395.63	1406.55	8.4
21	Transport (14)	1406.55	+0.8	8.13	4.05	17.05	13.71	1395.63	1395.63	1395.63	1395.63	1406.55	8.4
22	Utilities (16)	1406.55	+0.8	8.13	4.05	17.05	13.71	1395.63	1395.63	1395.63	1395.63	1406.55	8.4
23	CHEMICALS (22)	990.34	+0.5	6.71	6.17	22.82	9.14	975.30	967.63	951.26	983.55	960.34	16.4
24	CONSUMER GOODS (24)	1711.96	+0.5	7.04	3.27	17.44	11.54	1735.94	1735.94	1735.94	1735.94	1711.96	8.4
25	Breweries and Distillers (24)	2123.91	+0.9	7.61	3.43	18.13	11.54	2123.91	2123.91	2123.91	2123.91	2123.91	8.4
26	Food Manufacturing (17)	1287.42	+0.2	8.51	4.07	14.65	17.10	1284.74	1284.74	1284.74	1284.74	1287.42	8.4
27	Food Retailing (18)	2790.82	+0.8	8.26	3.89	15.64	6.61	2790.82	2790.82	2790.82	2790.82	2790.82	8.4
28	Health and Household (24)	1333.94	+1.5	8.31	2.44	15.64	6.61	1333.94	1333.94	1333.94	1333.94	1333.94	8.4
29	Hotels and Leisure (20)	1406.55	+0.8	8.13	4.05	17.05	13.71	1395.63	1395.63	1395.63	1395.63	1406.55	8.4
30	Media (25)	1407.12	+0.6	8.00	3.41	20.82	13.71	1395.63	1395.63	1395.63	1395.63	1407.12	8.4
31	Non-Ferrous Metals (10)	1406.55	+0.8	8.13	4.05	17.05	13.71	1395.63	1395.63	1395.63	1395.63	1406.55	8.4
32	Steel (10)	1406.55	+0.8	8.13	4.05	17.05	13.71	1395.63	1395.63	1395.63	1395.63	1406.55	8.4
33	Textiles (10)	1406.55	+0.8	8.13	4.05	17.05	13.71	1395.63	1395.63	1395.63	1395.63	1406.55	8.4
34	Transport (14)	1406.55	+0.8	8.13	4.05	17.05	13.71	1395.63	1395.63	1395.63	1395.63	1406.55	8.4
35	Utilities (16)	1406.55	+0.8	8.13	4.05	17.05	13.71	1395.63	1395.63	1395.63	1395.63	1406.55	8.4
36	OTHER GROUPS (11)	1290.43	+0.3	9.38	5.08	13.43	13.44	1284.34	1284.34	1284.34	1284.34	1290.43	8.4
37	BUSINESS SERVICES (17)	1406.45	+0.2	7.11	4.97	17.97	11.13	1406.45	1406.45	1406.45	1406.45	1406.45	8.4
38	FINANCIAL (22)	1406.45	+0.2	7.11	4.97	17.97	11.13	1406.45	1406.45	1406.45	1406.45	1406.45	8.4
39	CONSUMER GOODS (24)	1711.96	+0.5	7.04	3.27	17.44	11.54	1735.94	1735.94	1735.94	1735.94	1711.96	8.4
40	CONSUMER GOODS (24)	1711.96	+0.5	7.04	3.27	17.44	11.54	1735.94	1735.94	1735.94	1735.94	1711.96	8.4
41	Transport (14)	1406.55	+0.8	8.13	4.05	17.05	13.71	1395.63	1395.63	1395.63	1395.63	1406.55	8.4
42	Transport (14)	1406.55	+0.8	8.13	4.05	17.05	13.71	1395.63	1395.63	1395.63	1395.63	1406.55	8.4
43	Electricity (16)	1265.64	+0.2	13.88	5.61	9.40	17.11	1267.43	1267.43	1267.43	1267.43	1265.64	16.4
44	Electricity (16)	1265.64	+0.2	13.88	5.61	9.40	17.11	1267.43	1267.43	1267.43	1267.43	1265.64	16.4
45	Water (13)	2749.02	+0.2	15.53	7.70	7.09	0.00	2694.78	2694.78	2694.78	2694.78	2749.02	16.4
46	Miscellaneous (22)	1099.14	+1.0	6.00	4.93	22.02	28.15	1099.14	1099.14	1099.14	1099.14	1099.14	8.4
47	INDUSTRIAL GROUPS (18)	1366.36	-	7.79	2.25	18.06	12.12	1366.36	1366.36	1366.36	1366.36	1366.36	8.4
48	Oil & Gas (17)	2104.10	+0.7	4.33	6.76	17.47	14.43	2088.68	2088.68	2088.68	2088.68	2104.10	8.4
49	S&P 500 SHARE INDEX (500)	4636.70	+0.1	7.76	3.50	16.22	11.49	4636.70	4636.70	4636.70	4636.70	4636.70	8.4
50	FINANCIAL GROUP (37)	728.50	+0.7	6.22	4.19	16.22	11.49	728.50	728.50	728.50	728.50	728.50	8.4
51	FINANCIAL GROUP (37)	728.50	+0.7	6.22	4.19	16.22	11.49	728.50	728.50	728.50	728.50	728.50	8.4
52	Insurance (Life) (6)	1528.39	+0.2	8.83	-	-	43.02	1478.17	1478.17	1478.17	1478.17	1528.39	8.4
53	Insurance (Life) (6)	1528.39	+0.2	8.83	-	-	43.02	1478.17	1478.17	1478.17	1478.17	1528.39	8.4
54	Insurance (Composited) (7)	494.30	+0.4	-	-	-	9.16	492.28	492.28	492.28	492.28	494.30	8.4
55	Insurance (Life) (6)	1528.39	+0.2	8.83	-	-	43.02	1478.17	1478.17	1478.17	1478.17	1528.39	8.4
56	Insurance (Composited) (7)	494.30	+0.4	-	-	-	9.16	492.28	492.28	492.28	492.28	494.30	8.4
57	Insurance (Life) (6)	1528.39	+0.2	8.83	-	-	43.02	1478.17	1478.17	1478.17	1478.17	1528.39	8.4
58	Insurance (Composited) (7)	494.30	+0.4	-	-	-	9.16	492.28	492.28	492.28	492.28	494.30	8.4
59	Insurance (Life) (6)	1528.39	+0.2	8.83	-	-	43.02	1478.17	1478.17	1478.17	1478.17	1528.39	8.4
60	Insurance (Composited) (7)	494.30	+0.4	-	-	-	9.16	492.28	492.28	492.28	492.28	494.30	8.4
61	Insurance (Life) (6)	1528.39	+0.2	8.83	-	-	43.02	1478.17	1478.17	1478.17	1478.17	1528.39	8.4
62	Insurance (Composited) (7)	494.30	+0.4	-	-	-	9.16	492.28	492.28	492.28	492.28	494.30	8.4
63	Insurance (Life) (6)	1528.39	+0.2	8.83	-	-	43.02	1478.17	1478.17	1478.17	1478.17	1528.39	8.4
64	Insurance (Composited) (7)	494.30	+0.4	-	-	-	9.16	492.28	492.28	492.28	492.28	494.30	8.4
65	Insurance (Life) (6)	1528.39	+0.2	8.83	-	-	43.02	1478.17	1478.17	1478.17	1478.17	1528.39	8.4
66	Insurance (Composited) (7)	494.30	+0.4	-	-	-	9.16	492.28	492.28	492.28	492.28	494.30	8.4
67	Insurance (Life) (6)	1528.39	+0.2	8.83	-	-	43.02	1478.17	1478.17	1478.17	1478.17	1528.39	8.4
68	Insurance (Composited) (7)	494.30	+0.4	-	-	-	9.16	492.28	492.28	492.28	492.28	494.30	8.4
69	Insurance (Life) (6)	1528.39	+0.2	8.83	-	-	43.02	1478.17	1478.17	1478.17	1478.17	1528.39	8.4
70	Other Financial (13)	265.79	+1.5	8.27	6.93	16.34	3.12	265.79	265.79	265.79	265.79	265.79	8.4
71	Investment Trusts (7)	1212.79	+0.5	-	-	-	10.16	1212.79	1212.79	1212.79	1212.79	1212.79	8.4
72	ALL-SHARE INDEX (457)	1258.47	+0.2	-	-	-	14.26	1258.47	1258.47	1258.47	1258.47	1258.47	8.4
73	ALL-SHARE INDEX (457)	1258.47	+0.2	-	-	-	14.26	1258.47	1258.47	1258.47	1258.47	1258.47	8.4
74	ALL-SHARE INDEX (457)	1258.47	+0.2	-	-	-	14.26	1258.47	1258.47	1258.47	1258.47	1258.47	8.4
75	ALL-SHARE INDEX (457)	1258.47	+0.2	-	-	-	14.26	1258.47	1258.47	1258.47	1258.47	1258.47	8.4
76	ALL-SHARE INDEX (457)	1258.47	+0.2	-	-	-	14.26	1258.47	1258.47	1258.47	1258.47	1258.47	8.4
77	ALL-SHARE INDEX (457)	1258.47	+0.2	-	-	-	14.26	1258.47	1258.47	1258.47	1258.47	1258.47	8.4
78	ALL-SHARE INDEX (457)	1258.47	+0.2	-	-	-	14.26	1258.47	1258.47	1258.47	1258.47	1258.47	8.4
79	ALL-SHARE INDEX (457)	1258.47	+0.2	-	-	-	14.26	1258.47	1258.47	1258.47	1258.47	1258.47	8.4
80	ALL-SHARE INDEX (457)	1258.47	+0.2	-	-	-	14.26	1258.47	1258.47	1258.47	1258.47	1258.47	8.4
81	ALL-SHARE INDEX (457)	1258.47	+0.2	-	-	-	14.26	1258.47	1258.47	1258.47	1258.47	1258.47	8.4
82	ALL-SHARE INDEX (457)	1258.47	+0.2	-	-	-	14.26	1258.47	1258.47	1258.47	1258.47	1258.47	8.4
83	ALL-SHARE INDEX (457)	1258.47	+0.2	-	-	-	14.26	1258.47	1258.47	1258.47	1258.47	1258.47	8.4
84	ALL-SHARE INDEX (457)	1258.47	+0.2	-	-	-	14.26	1258.47	1258.47	1258.47	1258.47	1258.47	8.4
85	ALL-SHARE INDEX (457)	1258.47	+0.2	-	-	-	14.26	1258.47	1258.47	1258.47	1258.47	1258.47	8.



## INTERNATIONAL COMPANIES AND FINANCE

## French bank forecloses on collateralised MGM shares

By Patrick Harverson in New York

CREDIT Lyonnais took steps to sever the last connection between MGM, the Hollywood film studio, and Mr Giancarlo Parretti, the controversial Italian financier, on Thursday when the French bank announced it would foreclose on the 98.5 per cent of MGM's stock it holds as collateral for loans made to MGM and its parent Pathe Communications.

The financially crippled studio is currently in default on \$600m of loans from Credit Lyonnais, which in 1990 provided the bulk of the financing for Mr Parretti's \$1.3bn acquisition of MGM from Mr Kirk Kerkorian, the hotel owner.

To foreclose on the collateralised shares, Credit Lyonnais first has to put them up for sale. The stock will be auc-

tioned in Delaware on May 7, and Credit Lyonnais said that at least \$400m of the indebtedness owed it by MGM-Pathe will be bid for in the purchase of the stock. It is unlikely that any bidders will come forward. Credit Lyonnais won control over the management of the studio three months ago when a Delaware court settled a dispute over the ownership of MGM by ruling in favour of the French bank. The decision was a defeat for Mr Parretti, who had been fighting for control of MGM through a series of lawsuits against Credit Lyonnais. Mr Parretti is currently appealing against a four-year prison sentence and fraud conviction in Italy.

By severing all links between MGM and Mr Parretti, Credit Lyonnais hopes to strengthen the position of the studio's current management, which is

working on a long-term business plan for MGM's survival. Mr Alan Ladd and Mr Dennis Stanfill, the co-chairmen of MGM, said on Thursday night that the auction would not affect the ongoing business and operations of the studio. They said: "The company is finalising a comprehensive business plan in co-operation with the bank and expects to make continuing progress in this process as well as in its negotiations for a new credit line to reinforce MGM's prospects for the future."

The dire state of MGM's finances, however, was illustrated earlier this week when the company's auditor, KPMG Peat Marwick, qualified its report of MGM's 1991 full-year loss of \$347.7m by questioning whether the company would be able to continue as "a going concern".



Li Ka-shing: fully exploited last year's property boom

## Cheung Kong to buy EIE Int'l arm

By Simon Davies in Hong Kong

EIE International, the cash-strapped Japanese property group, is to sell its Hong Kong-listed property arm to Cheung Kong, the property development company owned by Mr Li Ka-shing, the colony's richest man.

EIE Development had long been the subject of takeover rumours, on the assumption that its Japanese parent would want to realise cash from this non-core asset. EIE Development's main asset is 55 per cent ownership of the twin-towered Bond Centre.

The offer from Cheung Kong was pitched at HK\$4 per share, compared with its previous closing price of HK\$3.025. The offer values the company at HK\$1.7bn (US\$220m), whereas the company's most recent valuation gave it a net asset value of HK\$2.25bn.

Cheung Kong fully exploited last year's property boom in Hong Kong, through residential development sales which generated a net profit of HK\$4.89bn last year. It has gone out on a stock market spending spree to park this cash flow, investing close to HK\$3bn in 12 local companies over the past 16 months.

However, its latest purchase can be seen more as a property transaction than a stock market investment. Unlike its other purchases, Cheung Kong will take control of the property company and is likely to privatise it.

Analysts believe it is a sign of optimism over the office property market, which has laboured under a glut of supply in the past two years. The deal also emphasises the strength of Cheung Kong and its position of being able to exploit casualties from lesser-performing property markets.

## ING may take 15% stake in BBL

By Ronald van de Krol in Amsterdam

INTERNATIONALE Nederlanden (ING), the Dutch banking and insurance group, is holding talks on acquiring all or part of Groupe Bruxelles Lambert's (GBL) stake in Banque Bruxelles Lambert (BBL), Belgium's second-biggest bank, as part of a strategy of creating a second "home" market south of the Dutch border.

If it succeeds in buying GBL's direct stake of nearly 15 per cent, ING - which already owns roughly 9 per cent of the Belgian bank - will become BBL's single largest shareholder.

Besides its direct stake in BBL, GBL also has close relations with two other main shareholders, Royale Belge and its French parent Union des Assurances de Paris (UAP), which together hold more than 10 per cent of the Belgian bank's shares.

Mr Willem Scherpenhuijsen, ING's vice-chairman, said he expected the negotiations with GBL to take some time. He added that ING had no plans to launch a public bid for the rest of BBL's shares, citing "psychological" obstacles in Belgium to an outright Dutch takeover.

ING, which was formed last year through the merger of Nationale-Nederlanden and

NMB Postbank, said it would seek to form an exclusive banking partnership with BBL.

After an extensive courtship by several of its biggest insurance industry shareholders, BBL sold ING, Royale Belge and Winterthur of Switzerland last month that they would all be entitled to work with it in expanding in the field of insurance. Earlier, BBL had been presented with two rival insurance proposals, one from ING and the other from Royal Belge and Winterthur.

ING is having to tread carefully in its attempt to become BBL's most powerful shareholder, partly because of the delicate relations between the

Flemish and French-speaking parts of Belgium's financial community.

BBL's institutional shareholders, which together own more than 50 per cent of the bank's capital, have a long-standing pledge to notify each other if they plan to buy or sell additional shares.

On Thursday, ING reported a 4.2 per cent increase in 1991 net profit to F1 1.57bn (\$840m).

The modest profit rise was due partly to reduced losses at ING's Cridon subsidiary in London, and to growth in foreign lending, leasing and trading in Third World debt. For 1992, ING is forecasting that net profit will at least match 1991 results.

## Crédit Agricole edges up 5%

By Alice Rawsthorn

CREDIT Agricole, one of France's biggest banks, expected its second successive year of sluggish profits growth and step provisions in 1991 when net profits rose by just 5 per cent from FF4.7bn to FF4.93bn (\$876m).

Despite the relatively sluggish increase in profits, Credit Agricole, which is a co-operative farmers' bank, made the highest profits of all the French retail banks last year by beating the "three old ladies" - Banque Nationale de

Paris, Crédit Lyonnais and Société Générale.

Mr Yves Barsalou, president, said that "continuity and stability" were the linchpins of Credit Agricole's development and had helped it cope with the competitive conditions of the French banking market.

Credit Agricole's net banking income rose by 11.4 per cent to FF87.5bn during the year. It restricted the rise in general costs to 4.6 per cent at FF33.6bn, thereby boosting gross profits by 22.1 per cent to FF24.9bn.

However, Crédit Agricole,

like other big French banks, notably Crédit Lyonnais and the Paribas investment banking group, was forced to raise provisions last year by 17 per cent to FF13.9bn. This followed another sharp increase - of 15 per cent to FF11.9bn - in 1990.

Mr Barsalou said that Credit Agricole planned to continue its strategy of controlling costs and rationalising its overheads by merging regional branches in 1992. It would also continue its expansion abroad after recent investments in Italy and Portugal.

## Windows fuels Microsoft climb

MICROSOFT, the leading personal computer software publisher, reported a 44 per cent rise in earnings for its third fiscal quarter, buoyed by continuing strong sales of its Windows operating system program, writes Louise Kehoe in San Francisco.

Net income for the quarter, ended March 31, was \$179m, or 90 cents per share, up from \$134m, or 68 cents, in the third

quarter of fiscal 1991. Revenues were \$681m, an increase of almost 40 per cent over \$487m in the same period a year ago.

The third-quarter results reflected record revenues from sales to personal computer manufacturers and continued strong retail sales, the company said.

More than 200 OEMs (original equipment manufacturers) around the world have licensed

the Microsoft Windows operating system," said Mr Frank Gaudette, executive vice-president and chief financial officer.

The third-quarter results capped a week in which Microsoft won important rulings in its copyright infringement dispute with Apple Computer, lifting the cloud of litigation that has hung over Microsoft's Windows program.

## Texas Instruments beats expectations

TEXAS Instruments reported much higher than expected earnings for its first quarter, demonstrating the effect of cost-cutting measures taken by the electronics manufacturer over the past year, writes Louise Kehoe.

Net income for the quarter was \$40m, or 35 cents per share, compared with a loss of

\$54m or 77 cents per share in the same period a year ago. After payment of dividends on preferred stock, TI's net income for the quarter was \$28m, or 25 cents per share.

Revenues for the quarter were \$1.59bn, up 3 per cent from \$1.53bn last time. Revenues included \$95m in royalty payments on TI's

extensive library of semiconductor patents, with a one-time gain of \$30m from a recently concluded licensing agreement with Rohm of Japan. In the same period last year TI recorded royalty revenues of \$70m.

TI's semiconductor business continued to operate at a loss during the first quarter.

## Peugeot cuts dividend as profits tumble

By Alice Rawsthorn in Paris

PSA PEUGEOT Citroën, the French car company, fell prey to the downturn in demand that depressed the international motor industry last year and saw its net profit fall by 40 per cent from FF2.95bn in 1990 to FF1.53bn (\$233m) in 1991.

Mr Jacques Calvet, chairman, said he expected an improvement in market conditions this year and sales growth of 7 per cent to 8 per cent. However, the board has decided to cut the dividend

from FF19.5 to FF13 a share. The group, hit last year by sluggish sales and rising research costs, is the latest in a series of international car companies to have reported depressed results for 1991.

The French group maintained that although profits had fallen in 1991, its net margins - at 3.5 per cent - were still the highest of all the major motor groups, ahead of Toyota with 2.9 per cent and BMW with 2.6 per cent.

The group's sales were virtually static last year at FF160.17bn, compared with

FF159.98bn in 1990. But costs of launching two new cars - the Citroën ZX and Peugeot 106 - during the year, combined with higher research costs, lowered operating profits to FF10.1bn from FF15.7bn. The overall level of investment rose by 2.5 per cent to FF15.52bn.

Pre-tax profits fell by 38.5 per cent from FF14.08bn to FF7.49bn while the group's net debt rose from FF2.97bn to FF3.39bn by the year-end. Earnings per share slipped from FF185 to FF111 in 1991.

The group took steps to cut costs and to reduce stocks last

year. Mr Calvet said it had reduced car stocks by 10,000 units by bringing "production better into line with sales".

The group produced 2,066 cars in Europe last year, against 2,326 in 1990, and sold 2,066 cars, compared with 2,136.

The group, he said, planned to cut costs further this year.

Mr Calvet expected an improvement in sales this year, although first-quarter business had been comparatively quiet. He added that Peugeot Citroën was keen to increase collaborative ventures with other motor manufacturers.

## Hefty pre-merger loss at SecPac

By Alan Friedman in New York

FIRST-quarter earnings from the soon-to-be-merged Bank of America and Security Pacific continue to underscore Bank of America's profitability and the heavy losses at SecPac, the weaker of the two banks.

Bank of America and SecPac agreed to merge last summer in a \$4.5bn transaction, the biggest in US banking history. The deteriorating balance sheet at SecPac has persuaded most observers to view the merger as effectively a rescue.

In the last set of separate results from the banks before completion of their merger, the San Francisco-based Bank of America reported 7 per cent higher net profits of \$305m

in the first quarter of 1992. By contrast, SecPac - hit by nearly tripled loan loss provisions of \$786.8m - unveiled a hefty \$496.5m first-quarter loss, which compares with net earnings of \$96.6m in the first quarter of 1991.

Mr Richard Rosenberg, chairman of Bank of America, attributed his bank's strong first quarter earnings to "prudent management of the credit portfolio and success in our expense control efforts".

He noted that despite the sluggish US economy, the bank's net loan losses and non-performing assets actually declined year-on-year.

Its net loan losses were \$218m in the first quarter of 1992, less than half the \$447m suffered in the same period of

1991. At March 31, 1992, the bank's non-performing assets totalled \$2.85bn, down from \$3.1bn at last December 31.

SecPac, by contrast, said its poor first-quarter results reflected "the continued impact of prolonged adverse economic conditions" in several key markets. Non-performing loans and losses totalled \$3.5bn at March 31, 1992, compared with \$2.75bn last December 31.

Continental Bank of Chicago, helped by lower loan loss provisions, said first-quarter net income jumped to \$57m, from \$28m in the first three months of last year.

Mr Tom Theobald, chairman, said the bank was continuing to see positive results from its restructuring.

## Inland Steel trims deficit to \$27.4m

INLAND Steel, the struggling Chicago steel maker, decreased its net deficit during the first quarter of 1992 compared with last year and, after a long gloomy period, expressed cautious optimism about the future.

It posted a net loss in the

first quarter of \$27.4m, or \$1.14 per share, compared with a loss of \$40m, or \$1.50 last year. Sales rose 8 per cent to \$595.9m from \$552.7m a year ago.

Mr Frank Lussier, Inland's chairman, said the improved performance "reflects a better mix of products as well as

our efforts to reduce costs".

Time Warner, the US media group, is undertaking a private placement of \$1bn of long-term debt, with institutional investors. AP-DJ reports. Proceeds will be used to reduce the company's commercial bank debt.

## British Gas pays \$52m for US stake

By Deborah Hargreaves

BRITISH Gas has paid \$52m for a one-third stake in Natural Gas Clearinghouse, the largest independent gas marketing company in the US.

LG&S, another resources company, has also acquired a one-third share in the marketing company. The remaining one-third will continue to be held by NGC's management.

The move marks British Gas' first venture into the US gas industry, where prices are currently at all-time lows.

"It will give us a first-hand insight into gas trading in the US and allow us to see how it could fit into our business in future," an official said.

British Gas is also believed to be interested in purchasing a 41 per cent stake in Home Oil, the Canadian oil producer, which is being sold by the Reichmann Brothers.

This would complement the company's other gas interests in Canada.

Natural Gas Clearinghouse is based in Houston and operates eight gas plants and 1,400 miles of gas pipelines.

## WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1991/92	Low 1991/92
Gold (per troy oz)	\$336.85	-1.55	\$375.25	\$403.25	\$338.50
Silver (per troy oz)	\$229.05	-5.7	\$209.15	\$290.50	\$183.35
Aluminium 99.7% (cash)	\$1322.5	-8.5	\$1201	\$1350	\$1082.5
Copper Grade A (cash)	\$1262.5	-10	\$1281.0	\$1472	\$1147.0
Lead (cash)	\$202.5	-1.5	\$248	\$382.5	\$279.0
Nickel (cash)	\$1740.5	+20	\$1622.5	\$2227.5	\$1700.0
Zinc SNG (cash)	\$1123.5	-1.5	\$1143	\$1262.5	\$1042.5
Tin (cash)	\$3300	-715	\$2845	\$3915	\$2425.0
Cocoa Futures (Jul)	\$219	-15	\$234	\$259	\$198
Cocoa Futures (Jul)	\$219	-15	\$234	\$259	\$198
Sugar (LDP Mar)	\$236.0	-3	\$265.2	\$293	\$194
Barley Futures (Sep)	\$111.95	+3.05	\$106.90	\$122.95	\$107.75
Wheat Futures (Jul)	\$117	+1.17	\$114.10	\$119	\$111.85
Cotton Outcrop A Index	\$71.90	-0.85	\$82.95	\$82.95	\$44.00
Wool (64s Super)	\$480		\$520	\$480	\$239
Oil (Brent Blend)	\$18.875	+0.025	\$17.125	\$20.15	\$16.75

Per tonne unless otherwise stated. 100kg/tonne, p.p.m./kg, cents/lb, c/buy

COCA - London FOX	Close	Previous	High/Low
May	588	613	605 587
Jul	601	626	618 578
Sep	609	634	624 581
Dec	617	642	632 574
Mar	717	734	725 709
Jun	725	750	741
Sep	736	770	760
Dec	749	780	770
Mar	889	929	920 877
Jun	905	923	912 808

Turnover: 7299 (3202) lots of 10 tonnes

1000 indicator prices (50/55 per tonne). Daily price for Apr 15 784.69 (765.16) 10 day average for Apr 15 764.03 (768.55)

COFFEE - London FOX Close | Previous | High/Low || May | 779 | 799 | 790 772 |
Jul	801	820	815 782
Sep	803	829	822 815
Nov	838	861	851 838
Jan	856	880	865 850
Mar	889	929	920 877

Turnover: 3229 (3109) lots of 5 tonnes

1000 indicator prices (US cents per pound) for Apr 15 59.59 (59.59)

POTATOES - London FOX Close | Previous | High/Low || May | 119.0 | 120.0 | 119.2 117.5 |
Jul	119.0	120.0	119.2 117.5
Sep	119.0	120.0	119.2 117.5
Nov	119.0	120.0	119.2 117.5
Jan	119.0	120.0	119.2 117.5
Mar	119.0	120.0	119.2 117.5

Turnover: 47 (26) lots of 20 tonnes

SOYABEAN - London FOX Close | Previous | High/Low || May | 119.0 | 120.0 | 119.2 117.5 |
Jul	119.0	120.0	119.2 117.5
Sep	119.0	120.0	119.2 117.5
Nov	119.0	120.0	119.2 117.5
Jan	119.0	120.0	119.2 117.5
Mar	119.0	120.0	119.2 117.5

Turnover: 17 (7) lots of 20 tonnes

PREMIUM - London FOX Close | Previous | High/Low || May | 119.0 | 120.0 | 119.2 117.5 |
Jul	119.0	120.0	119.2 117.5
Sep	119.0	120.0	119.2 117.5
Nov	119.0	120.0	119.2 117.5
Jan	119.0	120.0	119.2 117.5
Mar	119.0	120.0	119.2 117.5

Turnover: 84 (148)

GRAIN - London FOX Close | Previous | High/Low || May | 119.0 | 120.0 | 119.2 117.5 |
Jul	119.0	120.0	119.2 117.5
Sep	119.0	120.0	119.2 117.5
Nov	119.0	120.0	119.2 117.5
Jan	119.0	120.0	119.2 117.5
Mar	119.0	120.0	119.2 117.5

Turnover: 340 (241), barley 34 (23)

Turnover: 105 of 100 tonnes

WHEAT - London FOX Close | Previous | High/Low || May | 119.0 | 120.0 | 119.2 117.5 |
Jul	119.0	120.0	119.2 117.5
Sep	119.0	120.0	119.2 117.5
Nov	119.0	120.0	119.2 117.5
Jan	119.0	120.0	119.2 117.5
Mar	119.0	120.0	119.2 117.5

Turnover: 119.0 (119.0) lots of 100 tonnes

PRIME & VEGETABLES

Top quality pears from Capri are superb this week reports the FFVIB, Chicago from William Bon Cressen at 45-45p a lb (45-45p). Peaches at 45-45p a lb (45-45p) and Buena Vista at 45-45p a lb (45-45p). English outdoor mushrooms in a good buy at 30-45p a lb (40-70p) for Dutch ones. Spanish celery at 60-60p a head (55-55p) is a good buy. Broccoli with English round lettuce at 20-30p a head (20-30p) and Spring onions at 30-35p a bunch (30-35p).

LONDON METAL EXCHANGE	Close	Previous	High/Low
Aluminium 99.7% (5 per tonne)	1325.30	1325.30	1325.30
Cash	1325.30	1325.30	1325.30
3 months	1325.30	1325.30	1325.30
Copper, Grade A (5 per tonne)	1257.50	1257.50	1257.50
Cash	1257.50	1257.50	1257.50
3 months	1257.50	1257.50	1257.50
Lead (5 per tonne)	1271.50	1271.50	1271.50
Cash	1271.50	1271.50	1271.50
3 months	1271.50	1271.50	1271.50
Lead (5 per tonne)	1271.50	1271.50	1271.50
Cash	1271.50	1271.50	1271.50
3 months	1271.50	1271.50	1271.50
Lead (5 per tonne)	1271.50	1271.50	1271.50



CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar struts on empty stage

THE dollar stole the limelight from a sleepy pound as strong economic statistics gave the US currency an afternoon boost, writes Peggy Hollinger.

The dollar closed at DM1.6650, after hitting a high of DM1.6730, on an quiet day as traders prepared for the Easter holidays.

The US currency had opened stronger in London due to continuing uncertainty surrounding the Libyan and Russian situations. However, it was further strengthened by surprisingly good trade figures which showed the merchandise deficit had fallen to the lowest level in almost nine years - from \$8.2bn in March to \$3.4bn in February.

There was more good news for the dollar in the weekly jobless claims which fell by 18,000 to 415,000. A mere 2,000 drop had been expected.

Both figures were interpreted as adding fuel to the recovery story.

£ IN NEW YORK

Apr 16	Close	Previous
1 month	1.7445-1.7450	1.7445-1.7450
3 months	1.7445-1.7450	1.7445-1.7450
6 months	1.7445-1.7450	1.7445-1.7450
12 months	1.7445-1.7450	1.7445-1.7450

STERLING INDEX

Apr 16	Close	Previous
100	100.00	100.00
101	101.00	101.00
102	102.00	102.00
103	103.00	103.00
104	104.00	104.00
105	105.00	105.00
106	106.00	106.00
107	107.00	107.00
108	108.00	108.00
109	109.00	109.00
110	110.00	110.00
111	111.00	111.00
112	112.00	112.00
113	113.00	113.00
114	114.00	114.00
115	115.00	115.00
116	116.00	116.00
117	117.00	117.00
118	118.00	118.00
119	119.00	119.00
120	120.00	120.00

CURRENCY MOVEMENTS

Apr 16	Close	Previous
100	100.00	100.00
101	101.00	101.00
102	102.00	102.00
103	103.00	103.00
104	104.00	104.00
105	105.00	105.00
106	106.00	106.00
107	107.00	107.00
108	108.00	108.00
109	109.00	109.00
110	110.00	110.00
111	111.00	111.00
112	112.00	112.00
113	113.00	113.00
114	114.00	114.00
115	115.00	115.00
116	116.00	116.00
117	117.00	117.00
118	118.00	118.00
119	119.00	119.00
120	120.00	120.00

CURRENCY RATES

Apr 16	Close	Previous
100	100.00	100.00
101	101.00	101.00
102	102.00	102.00
103	103.00	103.00
104	104.00	104.00
105	105.00	105.00
106	106.00	106.00
107	107.00	107.00
108	108.00	108.00
109	109.00	109.00
110	110.00	110.00
111	111.00	111.00
112	112.00	112.00
113	113.00	113.00
114	114.00	114.00
115	115.00	115.00
116	116.00	116.00
117	117.00	117.00
118	118.00	118.00
119	119.00	119.00
120	120.00	120.00

OTHER CURRENCIES

Apr 16	Close	Previous
100	100.00	100.00
101	101.00	101.00
102	102.00	102.00
103	103.00	103.00
104	104.00	104.00
105	105.00	105.00
106	106.00	106.00
107	107.00	107.00
108	108.00	108.00
109	109.00	109.00
110	110.00	110.00
111	111.00	111.00
112	112.00	112.00
113	113.00	113.00
114	114.00	114.00
115	115.00	115.00
116	116.00	116.00
117	117.00	117.00
118	118.00	118.00
119	119.00	119.00
120	120.00	120.00

FORWARD RATES

Apr 16	Close	Previous
100	100.00	100.00
101	101.00	101.00
102	102.00	102.00
103	103.00	103.00
104	104.00	104.00
105	105.00	105.00
106	106.00	106.00
107	107.00	107.00
108	108.00	108.00
109	109.00	109.00
110	110.00	110.00
111	111.00	111.00
112	112.00	112.00
113	113.00	113.00
114	114.00	114.00
115	115.00	115.00
116	116.00	116.00
117	117.00	117.00
118	118.00	118.00
119	119.00	119.00
120	120.00	120.00

MONEY MARKETS

Long rates soften

RATES at the longer end of the UK money markets softened on Thursday, the last day of trading before the Easter holidays.

One year money fell 1/4 of a point to 10 1/4 per cent. However, the key three-month interbank rate remained unchanged at 10 1/2 per cent, reflecting the market's view of no immediate change in base rates.

Dealers suggested that better-than-expected unemployment figures for March had been offset by

UK clearing bank lending rate

10 1/2 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 am Apr 16) 3 months US dollar

10 1/2 per cent

6 months US dollar

10 1/2 per cent

12 months US dollar

10 1/2 per cent

18 months US dollar

10 1/2 per cent

24 months US dollar

10 1/2 per cent

30 months US dollar

10 1/2 per cent

36 months US dollar

10 1/2 per cent

42 months US dollar

10 1/2 per cent

48 months US dollar

10 1/2 per cent

FINANCIAL FUTURES AND OPTIONS

FT LONDON INTERBANK FIXING

(11.00 am Apr 16) 3 months US dollar

10 1/2 per cent

6 months US dollar

10 1/2 per cent

12 months US dollar

10 1/2 per cent

18 months US dollar

10 1/2 per cent

24 months US dollar

10 1/2 per cent

30 months US dollar

10 1/2 per cent

36 months US dollar

10 1/2 per cent

42 months US dollar

10 1/2 per cent

48 months US dollar

10 1/2 per cent

54 months US dollar

10 1/2 per cent

60 months US dollar

10 1/2 per cent

66 months US dollar

10 1/2 per cent

72 months US dollar

10 1/2 per cent

78 months US dollar

10 1/2 per cent

84 months US dollar

10 1/2 per cent

90 months US dollar

10 1/2 per cent

96 months US dollar

10 1/2 per cent

102 months US dollar

10 1/2 per cent

108 months US dollar

10 1/2 per cent

114 months US dollar

10 1/2 per cent

120 months US dollar

10 1/2 per cent

126 months US dollar

10 1/2 per cent

132 months US dollar

10 1/2 per cent

138 months US dollar

10 1/2 per cent

144 months US dollar

10 1/2 per cent

150 months US dollar

10 1/2 per cent

156 months US dollar

10 1/2 per cent

162 months US dollar

10 1/2 per cent

168 months US dollar

10 1/2 per cent

174 months US dollar

10 1/2 per cent

180 months US dollar

10 1/2 per cent

186 months US dollar

10 1/2 per cent

192 months US dollar

10 1/2 per cent

198 months US dollar

10 1/2 per cent

204 months US dollar

10 1/2 per cent

210 months US dollar

10 1/2 per cent

216 months US dollar

10 1/2 per cent

222 months US dollar

10 1/2 per cent

228 months US dollar

10 1/2 per cent

234 months US dollar

10 1/2 per cent

240 months US dollar

10 1/2 per cent

246 months US dollar

10 1/2 per cent

252 months US dollar

10 1/2 per cent

258 months US dollar

10 1/2 per cent

264 months US dollar

10 1/2 per cent

270 months US dollar

10 1/2 per cent

276 months US dollar

10 1/2 per cent

282 months US dollar

10 1/2 per cent

288 months US dollar

10 1/2 per cent

MONEY MARKET FUNDS

Money Market Trust Funds

Trust Fund	Assets	NAV	Yield
CAF Money Management Co Ltd	£100m	1.0000	10.50%
The CDF Charities Deposit Account	£100m	1.0000	10.50%
Cent. Bd. of Fin. of Church of England	£100m	1.0000	10.50%
Garrett Money Management Ltd	£100m	1.0000	10.50%
Julian Hedge Bank Ltd	£100m	1.0000	10.50%
Northbrook Finance Group	£100m	1.0000	10.50%
Provincial Bank PLC	£100m	1.0000	10.50%
St James's Place	£100m	1.0000	10.50%
Windsor Trust Ltd	£100m	1.0000	10.50%
Windsor Trust Ltd	£100m	1.0000	10.50%

Money Market Bank Accounts

Bank Account	Assets	NAV	Yield
CAF Money Management Co Ltd	£100m	1.0000	10.50%
The CDF Charities Deposit Account	£100m	1.0000	10.50%
Cent. Bd. of Fin. of Church of England	£100m	1.0000	10.50%
Garrett Money Management Ltd	£100m	1.0000	10.50%
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Provincial Bank PLC	£100m	1.0000	10.50%
St James's Place	£100m	1.0000	10.50%
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Windsor Trust Ltd	£100m	1.0000	10.50%

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Provincial Bank PLC	£100m	1.0000	10.50%
St James's Place	£100m	1.0000	10.50%
Windsor Trust Ltd	£100m	1.0000	10.50%
Windsor Trust Ltd	£100m	1.0000	10.50%

Money Market Bank Accounts

Rowden Shipley & Co Ltd			26-33 Princess Victoria 11 Street		2271.74
Foreman Court, Littlebury, Essex E22	071-606-9813				
700					







## LONDON STOCK EXCHANGE

## Market fails to conquer new peak

By Peter John

THE LONDON stock market's phenomenal run finally lost its energy on Thursday as tired traders looked towards the Easter break rather than back at the Conservatives' general election win.

Early hopes that the FTSE index of the 100 biggest stocks would breach its all-time high faded as the day wore on. International investors, who have been pouring money into London for the past week, took a back seat and Wall Street came off its record high. That lack of support and a more cautious view from the futures markets ensured that the Footsie closed 1.6 off at 2,628.5.

Turnover remained significant, but the final figure of

Account Dealing Dates	First Dealing	Apr 27	May 11
Option Dealing Dates	Apr 27	May 7	May 26
Last Dealing	Apr 26	May 6	May 25
Account Dealing Dates	May 12	May 26	Jun 8

Thursday's closing was 1.6 off at 2,628.5.

897.4m shares looked slightly less impressive once the impact of a placing of 120m shares in Midland Bank was successfully carried out. Commentators are now expecting the market to pause for breath and possibly drift back.

Optimism for a record-breaking burst seemed well founded when the day began. On Wednesday night, the FT-SE

future contract for June delivery closed 25 points above its estimated fair value, the premium that takes into account dividends and carrying costs. Then, on Wall Street, the Dow Jones moved up more than 47 points to close at a new high.

On Thursday, London market makers adjusted their prices accordingly and the Footsie opened 27.5 points higher. It moved up a further 5 points within the first few minutes of trading. Then, as with the Labour party's hopes on April 9, although signs were encouraging the support was lacking.

The Footsie dribbled off throughout the day, trading a few points up on the previous day's close in the morning and moving below it after Wall

Street began to drift.

Turnover was the highest it had been all week, suggesting that customer retail business could have been above Wednesday's £1.5bn. However, investors were far more selective than previously and some were beginning to take profits on certain stocks.

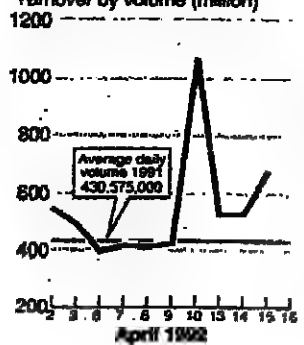
The market received further pressure from the performance of gilts which fell heavily and short sterling, which was also off a few points.

It seemed that a rise of some 280 points within six trading days was too much to cope with and analysts said that, while the market has obviously entered a new era following the general election, it could slip back another 80 points before regaining its strength.

● Retail business in equities was comfortably above £1bn all week as money poured into London from overseas investors.

## LONDON SE volume

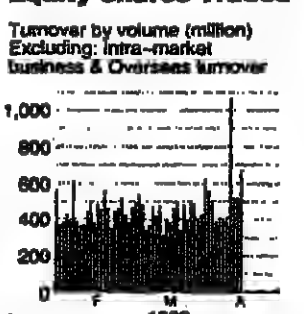
Turnover by volume (million)



## FT-A All-Share Index



## Equity Shares Traded



Source: Datastream 1992

ing its war chest for its long-awaited bid, was not taken seriously in the market. ICI's fall of 2 to 134.5p was attributed more to general weakness in the market. Hanson eased a halfpenny to 235p.

MARKET REPORTERS:  
Joel Kibaze,  
Colin Millham,  
Christopher Price

Other market statistics, Page 6.

## FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since January 2 1992 based on Thursday April 16 1992

Index	Value	Change
Water	22.54	+22.54
Textiles	22.10	+22.10
Building Materials	21.78	+21.78
Engineering-General	21.73	+21.73
Engineering-Aerospace	21.73	+21.73
Other Industrial Materials	21.73	+21.73
Capital Goods	21.73	+21.73
Home & Leisure	21.73	+21.73
Food Processing	21.73	+21.73
Engineering-General	21.73	+21.73
Media	21.73	+21.73
Metals & Metal Products	21.73	+21.73
Chemicals	21.73	+21.73
Electronics	21.73	+21.73
Constr. & Construction	21.73	+21.73
Stores	21.73	+21.73
Electronics & Household	21.73	+21.73
Engineering-General	21.73	+21.73
Composites	21.73	+21.73
Q & Gas	21.73	+21.73
Chemicals	21.73	+21.73
Transport	21.73	+21.73
Industrial Group	21.73	+21.73

## BUSINESS IN THE COMMUNITY

The FT proposes to publish this survey on

May 12 1992.

It will be of interest to the 81% of Captains of Industry in Great Britain who are readers of the FT.

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Data source: Captains of Industry 1991/MORI

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## FINANCIAL TIMES STOCK INDICES

	Apr 15	Apr 16	Apr 17	Apr 18	Apr 19	Year Ago	High	Low	Since High	Since Low
Government Secs	86.65	86.82	86.87	86.81	86.19	84.22	86.82	85.11	127.40	49.18
Fixed Interest	102.90	102.67	102.62	102.34	101.75	94.61	102.90	97.15	105.40	56.75
Ordinary Shares	2595.2	2653.0	2614.9	2605.5	2601.1	1996.4	2653.0	1851.4	2108.3	46.4
Gold Mines	111.9	113.9	114.0	115.7	114.5	109.4	115.7	111.5	734.7	43.5
FT-SE 100 Share	2638.6	2640.2	2600.5	2591.0	2572.8	2538.4	2640.2	2362.7	2079.9	279.3
FT-SE European 200	1213.52	1212.94	1199.46	1194.61	1187.54	1173.06	1213.52	1120.52	1213.52	93.02
●Ord. Div. Yield	4.43	4.44	4.47	4.49	4.48	4.82	4.43	4.43	15.10%	1.02%
●Earnings Yr. % (all)	6.35	6.36	6.53	6.54	6.55	6.71	6.35	6.35	12.65%	1.30%
●P/E Ratio (all)	18.85	19.81	19.22	19.16	19.13	14.10	18.85	15.41	12.65%	1.30%
SEAS 500 Share	45.58	45.98	46.82	46.51	46.44	32.98	45.98	32.98	12.65%	1.30%
SEAS 500 Div. Yield	1.560	1.533	1.518	1.519	1.521	1.63	1.560	1.518	12.65%	1.30%
SEAS 500 P/E Ratio	45.52	41.30	48.34	48.37	48.34	32.94	45.52	32.94	12.65%	1.30%
SEAS 500 Div. Yield	1.560	1.533	1.518	1.519	1.521	1.63	1.560	1.518	12.65%	1.30%
Ordinary Shares, Hourly changes	Day's High 2653.0	Day's Low 2572.8	Day's High 2653.0	Day's Low 2572.8	Day's High 2653.0	Day's Low 2572.8	Day's High 2653.0	Day's Low 2572.8	Day's High 2653.0	Day's Low 2572.8
FT-SE 100, Hourly changes	Day's High 2640.2	Day's Low 2572.8	Day's High 2640.2	Day's Low 2572.8	Day's High 2640.2	Day's Low 2572.8	Day's High 2640.2	Day's Low 2572.8	Day's High 2640.2	Day's Low 2572.8
FT-SE European 200, Hourly changes	Day's High 1212.94	Day's Low 1173.06	Day's High 1212.94	Day's Low 1173.06	Day's High 1212.94	Day's Low 1173.06	Day's High 1212.94	Day's Low 1173.06	Day's High 1212.94	Day's Low 1173.06

## TRADING VOLUME IN MAJOR STOCKS

Company	Volume	Value	Change
British Airways	1,000	100.00	+100.00
British Telecom	1,000	100.00	+100.00
British Petroleum	1,000	100.00	+100.00
British Steel	1,000	100.00	+100.00
British Airways	1,000	100.00	+100.00
British Telecom	1,000	100.00	+100.00
British Petroleum	1,000	100.00	+100.00
British Steel	1,000	100.00	+100.00
British Airways	1,000	100.00	+100.00
British Telecom	1,000	100.00	+100.00
British Petroleum	1,000	100.00	+100.00
British Steel	1,000	100.00	+100.00

Based on the trading volume for a selection of Alpha securities dealt through the SEAG system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

## EQUITY FUTURES AND OPTIONS TRADING

THE STRONG demand in the derivatives market of the recent sessions ran out of steam on Thursday after dealers chose to take profits, writes Joel Kibaze.

In stock index futures, trading in the June contract on the FT-SE opened at 2,715. This

proved to be the high point of the session as a spate of selling orders soon caused a retreat in June. Several of the largest orders during the ses-

sion were seen to have come from some of the leading institutions eager to cash in on the recent advances.

A weak Wall Street only served to cause further selling and June eventually closed at 2,675, a premium of 37 and

around 18 points above its estimated fair value premium to cash of about 32. Turnover reached 7,187.

Business in the traded options market also returned

to lower levels. Total turnover at 37,388 contracts was down on Wednesday's figure of 49,737 lots though the volume in the FT-SE option, at 18,856 lots, was only a shade lighter than the previous session.

BTX was the busiest stock option. It traded 2,451 contracts. It was followed by Asda in which 2,147 lots were dealt.

The Euro FT-SE option was also busy at 2,108 contracts, while Tesco traded 1,886 lots.

## BENCHMARK GOVERNMENT BONDS

Country	Yield	Change	Week	Month
AUSTRALIA	10.00	-0.01	9.71	9.70
BELGIUM	8.00	-0.01	8.00	8.00
CANADA	8.00	-0.01	8.00	8.00
FRANCE	8.00	-0.01	8.00	8.00
GERMANY	8.00	-0.01	8.00	8.00
ITALY	10.00	-0.01	9.71	9.70
JAPAN	8.00	-0.01	8.00	8.00
NETHERLANDS	8.00	-0.01	8.00	8.00
SPAIN	10.00	-0.01	9.71	9.70
UK	8.00	-0.01	8.00	8.00
US TREASURY	8.00	-0.01	8.00	8.00

London closing, "London New York morning session" Yields: Local market managers 1 Gross (including withholding tax at 12.5 per cent payable by non-residents) Prices: US, UK in 32nds, others in decimal Technical Data/ATLAS Price Sources

## KIO sells stake in Midland

THE KUWAIT Investment Office (KIO) successfully unloaded the bulk of its 10.5 per cent stake in Midland Bank on Thursday, making 355p per share.

Marketmakers said securities house Hoare Govett had been trying to place the 90m shares at 352p since Tuesday, after Hongkong and Shanghai Bank launched its agreed bid for Midland, but eventually placed them with a wide range of institutions at 355p. It is believed that the majority of the deals had been pre-booked by Wednesday night. It is also believed that because of the risk involved in placing such a large amount of stock, the shares were not taken on as part of a "bought deal" where prices are pre-arranged. Dealers said they were put through the market on a "best offer" basis with Hoare Govett guaranteeing to get the best possible price.

Midland shares eased 3 to 362p, compared with the HSEB offer of around 365p per share. Analysts said that although the market was not too enthusiastic about the bid it could see no obvious alternative apart from Midland remaining independent.

Lloyds Bank slipped 9 to 382p, suggesting it may continue to banker after Midland, as analysts tended to play down press speculation that Lloyds could be looking at another bid for Standard Chartered. The price of Standard - down 5 to 469p - did not point towards a bid, but Abbey National, also mentioned as a possible Lloyds target rose 5 to 311p.

## Reuters development

Information group Reuters rose after it announced that the second phase of its Dealing 2000 share dealing system would start on April 28. As part of the development, Reuters from around 20 banks in London and New York are expected to be allowed to trade leading currency contracts - with Reuters reportedly taking a 25-40 share commission.

Dealing 2000-2 is also said to be weighing in around a year ahead of its nearest rivals - by which time it is expected to expand, first to Europe and then to the Far East.

## Glaxo suffers

US switching from defensive stocks into shares which are expected to benefit from cyclical recovery hit Glaxo, whose shares are 37 per cent owned by US investors in the form of American Depositary Receipts.

Dealers said the switching started on Wednesday with sellers concentrating on Merck, the US drug giant. Glaxo, whose performance in the US tends to mirror Merck's, also weakened. In London, on Thursday, the shares slipped 24 to 785p with a brisk 4m traded.

Tate & Lyle gained 15 to 421p as the shares caught up after underperforming the market by about 12 per cent over the last three months. Mr Carl Short, food manufacturing analyst at Nomura, said the company is likely to show a downturn in earnings for the year ending in September, but is

expected to bounce back.

A sober trading assessment for BP by chairman Robert Horton revealed little new for analysts to chew over at the group's agm on Thursday. Mr John Toulson at Straus Turnbull said that he believed the "realistic" summation pointed to the group preparing the ground for a dividend cut later this year. BP shares rose 2 to 259p.

While residents may be in short supply, investors were visiting the hotel sector in great numbers following Forte's results on Wednesday. Some analysts believe the stock to be overvalued, but Paul Slatery at Kleinwort said: "It will take the company at least two years to get back to the level of earnings of last year. Investors should reduce their exposure." But Forte remains popular with institutions, with 8m shares traded and the price unmoved at 254p.

Queens Meat Houses also attracted attention, the shares slipping 2 to 79p in heavy volume of 4.5m.

Theme park operator Euro Disney's fall from grace continued, the shares sliding 26 to 1335p as the site's lacklustre opening reflected badly.

Granada Group added 7 to 277p. The group has been seen by analysts prior to moving into its closed period and has been making bullish noises.

While some UK institutions continued to bail out of Vodafone - Thursday's 15m share turnover followed the previous session's 22m - US investors were happy to pick up the stock. The price was unchanged at 356p.

Drugs group Fisons rose 15 to 354p in good volume of 4.7m. One analyst said that the rise was largely attributable to continued bid speculation and also anticipation of a favourable visit to the group's Holmes Chapel facility next week by the US Food and Drug Administration.

Profit taking in Rolls-Royce left the shares a penny easier at 158p, on turnover of 5m shares. It was suggested that B2W were the group's main sellers.

Profit-taking in GKN was also responsible for reversing an earlier rise in the shares which ended 10 down at 380p.

Overseas buying of British Steel left the shares 5 up at 76p. Bid talk was again heard around Dowry Group, where the shares gained 6 to 223p. A maintenance dividend, due on 1 May, helped the rise.

News of a £15m contract from the German Ministry of Defence helped Howden Group firm 2 to 61p.

Rumours that Hanson is about to sell its 2.5 per cent stake in ICI, thus strengthening

## NEW HIGHS AND LOWS FOR 1992

Company	High	Low
British Airways	1,000	100.00
British Telecom	1,000	100.00
British Petroleum	1,000	100.00
British Steel	1,000	100.00
British Airways	1,000	100.00
British Telecom	1,000	100.00
British Petroleum	1,000	100.00
British Steel	1,000	100.00
British Airways	1,000	100.00
British Telecom	1,000	100.00
British Petroleum	1,000	100.00
British Steel	1,000	100.00

## RISES AND FALLS THURSDAY

Index	Value	Change
British Funds	21.41	+16.19
Other Fixed Interest	21.41	+16.19
Commercial Property	21.41	+16.19
Financial & Property	21.41	+16.19
Oil & Gas	21.41	+16.19
Minerals	21.41	+16.19
Others	21.41	+16.19

Total: 963 322 1,434 3,850 1,307 5,792

## COMMODITIES

## WEEK IN THE MARKETS

## Gold slides to fresh 6-year low

THE GOLD price slipped to a fresh six-year low of \$336.80 a troy ounce at Thursday morning's London bullion morning fixing, catching up with a heavy overnight sell-off in New York. But the New York opening found the gold market cautiously firmer, as holders of short positions covered ahead of the long holiday weekend, and by the close the London price had edged up to \$336.85 an ounce, down \$4.55 since the end of last week.

The gold market had begun the week in a mildly bullish mood as buying was encouraged by news of the Russian cabinet's resignation offer. But the rise quickly ran into US selling, which undermined support in the \$342-an-ounce area, and the London price ended the day 40 cents down. Dealers thought at that time that the market was likely to hold above \$338 an ounce ahead of the Easter break. But on Tuesday it dropped under the weight of fresh wave of profit-taking after US retail sales figures proved to be better than expected. And with concern for the stability of the Veltsin regime continuing to ease, Wednesday saw the breach of the \$338-an-ounce level.

Dealers were not too disappointed, however, about the

post-holiday prospects for the gold market. Most thought it was close to bottoming out. Some said it had bottomed at \$330 an ounce. That might be







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**US MARKETS (4:00 pm)**[illegible]

## NEW YORK

591	2.7	-2.4	1,400	-8.0	Dairy Farm Ind	11.70e
592	2.7	-2.4	1,400	-8.0	Everse	1.37
593	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
594	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
595	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
596	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
597	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
598	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
599	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
600	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
601	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
602	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
603	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
604	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
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616	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
617	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
618	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
619	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
620	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
621	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
622	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
623	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
624	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
625	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
626	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
627	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
628	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
629	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
630	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
631	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
632	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
633	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
634	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
635	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
636	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
637	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
638	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
639	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
640	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
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642	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
643	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
644	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
645	2.7	-2.4	1,400	-8.0	Yong Lok	2.83
646	2.7	-2.4	1,400	-8.0	Yong Lok	2.83

## STANDARD AND POOR'S

1,180	Yamaha Corp.	1,000	Hayesville Higgs	4.53
670	Yamaha Motor	890	Hutchinson Pw	15.50
460	Yamini Samatha	563	Hutchinson Pw	7.30d
480	Yamini Samatha	30	Hydrex Inc	7.20
904	Yamini Samatha	1,150	Jardine Nath	4.70
3,320	Yamini Samatha	1,250	Jardine Nath	2.70
440	Yamini Samatha	1,250	Kawada Shiroki	2.90
476	Yamini Samatha	1,730	Mammoth Str	1.00
476	Yamini Samatha	1,730	New World Dev	15
1,230	Yamini Samatha	1,730	Shank Pro	13.80
329	Yamini Samatha	1,730	Shank Pro	6.50
1,000	Yamini Samatha	1,730	Shank Pro	3.00d
	Yamini Samatha	1,730	Shank Pro	9

## Apr 1

[illegible]

Am T & T	2,641,600	42%
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[illegible]

**CANADA**

1,260	40	Comex Bul Aust	7.21		
429	49	Comex Bul Mex	1.10		
1,260	40	Comex Bul Mex	1.10		
854	72	Domestic Ind	1.53		
1,010	20	Emorl	2.65		
429	49	Emorl	2.65		
390	13	Far East Ind	1.64		
429	49	Fletcher Colgate	2.36		
780	49	Fletcher Colgate	2.36		
429	49	Fletcher Colgate	2.36		
780	49	Gen Prop Ind	1.52		
429	49	Goodman Fielder	1.42		
780	49	Goodman Fielder	1.42		
429	49	Highlands Gold	1.63		
780	49	ICI Aust	5.75		
429	49	ICI Aust	5.75		
780	49	Kidston Gold	5.50		
429	49	Kidston Gold	5.50		
780	49	5'ore Air Fre	14.40		
429	49	Singapore Prev	8.60		
780	49	Singapore Prev	8.60		
429	49	Tel Loe Bank	5.22		
780	49	UOB	6.50		
429	49	UOB	6.50		

Price quoted by Tattersall.	
NOTES - Prices on this page are as quoted on the individual exchanges and are the last traded price, if available. * Denotes price not available. Ex denotes ex. Ex scrip trade, or Ex	



## WORLD STOCK MARKETS

## ASIA PACIFIC

## Arbitrage-unwinding depresses Nikkei

## Tokyo

PROFIT-TAKING and arbitrage-unwinding caused the Nikkei average to fall for the first time in four days, writes *Enzo Terazono in Tokyo*.

The 325-issue average, which rose 11.75 on Thursday to 17,580.68, closed down 379.07 at 17,201.61. A fall of 1.5 per cent on the week. The index traded between 18,102.89 and 17,768.27 on Thursday. Yesterday, the Nikkei opened at the day's high of 17,916.90 and fell to the day's low of 17,490.06 in the afternoon.

Volume declined to 300m shares from 380m on Thursday when overseas investors placed orders before Easter.

The rise on Thursday was supported by 734 gainers, while 231 issues fell and 97 were unchanged. However, declines led advances yesterday by 890

to 289, with 165 issues unchanged. The Toxix index fell 15.96 to 1,321.41 after Thursday's advance of 15.38 to 1,337.37.

Large-lot index-linked sell orders by a leading Japanese broker depressed the market. Traders said that while investors were willing to buy stocks at lower levels, most refrained from buying around 18,000. "A lot of domestic institutions see the near-term resistance level at 18,500," said Mr Masami Okuma at UBS Phillips & Drew.

High-technology issues, which were firm on Thursday on buying by pension funds and foreigners, fell back. Toshiba fell 79 to 7,630 and Hitachi retreated 78 to 7,630. Machinery stocks, which advanced on Thursday on a month-on-month rise in March machinery orders, also lost ground. Amada fell 79 to 7,170.

Speculative issues fell. Meiji Milk Products fell 743 to 7,336 and Okamoto Industries lost 720 to 7,150. But Mitsubishi Gas Chemical rose 720 to 7,460 as buying interest was sparked by the development of a new anti-diabetic drug. Meiji Milk Products rose 716 to 7,744.

Financials, which had rebounded on bargain-hunting and short-covering after sharp falls last week, declined. Industrial Bank of Japan fell 770 to 7,100 and Fuji Bank fell 720 to 7,140.

In Osaka, the OSE average fell 304.63 to 19,803.39 in volume of 15.5m shares. Investors were cautious after Thursday's rise of 303.28 to 20,165.02, in volume of 21.9m shares.

## Roundup

Some Pacific Rim markets were open yesterday. On Thursday, the region was

mostly firmer, but in Bombay, brokers boycotted trading to protest against a rise in registration fees.

SEUL saw early buying peter out. The composite index rose 0.39 to 587.72, up 3.2 per cent on the week, in turnover of Won336.3bn after Won214.6bn. On Thursday, the index rose 9.22 to 587.33, on rumours that the government might provide more loans to investment trusts.

TAIWAN gave up some of Thursday's gains on political worries. The weighted index fell 35.30 to 4,503.22, down 1.3 per cent on the week, after rising 96.86 to 4,538.52 on Thursday. Turnover fell to T\$14.3bn from T\$18.88bn.

BANGKOK was lifted by Bangkok Land which recovered 8111 to 8179 after losing 8117 in the previous two days. The SET index ended 12.76 higher at 82,828 on turnover of

Bt6.03bn. On Thursday, the SET index fell 1.09 to 810.12. KUALA LUMPUR ran into profit-taking after Thursday's climb. The composite index eased 0.08 to 575.75, up 0.8 per cent on the week, after rising 7.64 to 575.83 on Thursday.

HONG KONG's Hang Seng index gained 96.88 or 1.94 per cent to 5,082.69 on Thursday, up 0.2 per cent on the week. Turnover rose to HK\$3.17bn from HK\$2.37bn.

Hang Seng Bank rose HK\$3.25 to HK\$42.25 after disclosure of its inner reserves revealed positive earnings prospects.

SINGAPORE's Straits Times Industrial index put on 16.29 or 1.2 per cent to 1,410.61 on Thursday, up 2.2 per cent on the week. Volume rose to 43.48m shares from 31.7m.

NEW ZEALAND's NZSE-40 index rose 13.35 to 1,410.69, up 0.4 per cent on the week.

## Resurrection of optimism as recession is receding

The Australian market is ready to advance after a poor showing in the last quarter, says Kevin Brown

THE AUSTRALIAN Stock Exchange has suffered a severe attack of vertigo over the last three months, wiping out the modest gains made during rallies in November and January.

But brokers remain confident that a substantial advance is likely over the remainder of the year as the domestic economy recovers from recession.

The Australian market has been one of the world's poorest performers since the global crash in 1987, when the All Ordinaries Index slumped from 2,300 to 1,150 in a couple of months.

In spite of repeated attempts to talk up the market, the index has never since exceeded 1,800, and is currently trading at around 1,580 - roughly the level it reached in mid-1988 at the end of the initial post-crash upswing. It closed on Thursday at 1,590.

There were hopes of a solid advance in the second half of last year, and again in January, when the index looked likely to break through the psychologically important 1,700 barrier. But both rallies

peaked out in the face of recession, political instability, and weakness in overseas markets. Much of the nervousness is related to a flood of disappointing results from major companies for the six months to December, which were combined with warnings that little improvement could be expected in the current half.

Investors have also been deterred by bad economic news from the US, the UK and Japan, which tend to set the tone for the Australian market. There is particular concern about the possibility of a recession in Japan, which takes about 28 per cent of Australian exports, mostly in the form of raw commodities which form the feedstock for many of Japan's consumer industries.

For this reason, the recent dramatic fall in the Tokyo market has done much to unsettle Australian investors, in spite of indications that the Japanese

economy will continue to grow over the coming year, albeit at a modest rate. Optimists also point out that most of Australia's exports to Japan are commodities such as iron ore and coal which are the subject of long-term contracts. Japanese buyers have sometimes varied the terms of the

contracts in difficult periods, but none has ever been cancelled, probably because it is in the buyers' interest to maintain secure sources of supply in Australia.

Even if Japan does move into recession, the impact on Australia should be offset by increasing sales to the rest of Asia, which now takes about 19 per cent of Australian exports (excluding New Zealand). Most of the dynamic economies of the region are expected to continue to grow quickly in the short term, whatever happens in Tokyo.

The domestic economy is also looking healthier than for some time, as it emerges from six successive quarters of flat or negative growth - the worst recession since 1983. Changes in statistical definitions have clouded the picture, but gross domestic product grew by 0.4 per cent on the income-based measure in the three months to December, and further growth is confidently predicted by most economists for the quarter to March.

Most of the indicators are now pointing in the right direction - housing finance upturn, consumer confidence rising, and the unemployment rate falling.

If that happens, it may be enough to trigger a recovery in confidence, which many brokers feel would propel the index towards the elusive 1,800 barrier. But after the disappointments of the last couple of years, few investors will be willing to bet their shirts on it.

Most economists believe improvements in commodity prices will continue to prop up the Australian dollar, in spite of a fall in official interest rates to 7.5 per cent from a peak of 18 per cent in late 1989. Many think the resilience of the dollar, combined with a fall in inflation to 1.5 per cent, has opened the way for a further 0.5 per cent cut in official rates in the next few months. The bond markets have begun to reflect that view in recent weeks, pushing short-term bills down to 7.3 per cent.

All these factors should add up to a return to sufficient growth to guarantee the formal end of the recession when the March quarter figures are released in June. If that happens, it may be enough to trigger a recovery in confidence, which many brokers feel would propel the index towards the elusive 1,800 barrier. But after the disappointments of the last couple of years, few investors will be willing to bet their shirts on it.

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## AMERICA

## Triple-witching hour lifts Dow to new high

## Wall Street

AFTER five days of solid gains, US stock markets appeared to be running out of steam on Thursday, although late buying linked to the expiration of stock index options and futures lifted shares to new highs, writes *Patrick Harrison in New York*.

At the close the Dow Jones Industrial Average was up 12.74 to 3,366.50, having spent all but the last few minutes of the day's trading only a few points either side of opening values. The more broadly based Standard & Poor's 500 ended lower, down 0.27 at 416.01, while the Nasdaq composite of over-the-counter stocks gave up 8.32 at 591.81.

## Turnover on the NYSE

was 235m shares, and declines outnumbered rises by 899 to 817.

Although the day's main economic data - an unexpectedly large 18,000 fall in the number of people claiming state unemployment insurance in the first week of April - was positive, the news provided little inspiration for the market, which had begun to look overbought after a 172-point advance during the week.

The late surge in blue chip prices was due entirely to an imbalance of buy orders linked to "triple-witching hour", the monthly expirations of derivatives contracts which were brought forward because of the Easter holidays. When the orders were completed at the close, about 10 points were

## NYSE Volume

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added to the Dow.

General Motors featured with a gain of 32 1/4 to 42 1/4, in turnover of 4m shares on reports that the giant car man-

ufacturer might post a modest profit for the first quarter. GM lifted the other car stocks, with Ford adding 3 1/4 to 42 and Chrysler firming 3 1/4 to 42 1/2, both in heavy trading.

Once again the big, cyclical stocks enjoyed some of the biggest gains. Alcoa rose 2 1/4 to 57 1/2, United Technologies jumped 3 1/4 to 56, General Electric added 1 1/4 to 57 1/4, and Allied-Signal rose 1 1/4 to 57 1/4.

On the over-the-counter market, Centocor again took a beating, losing 2 1/4 to 418 in turnover of 9m shares as investors continued to react negatively to the news that the Food and Drug Administration would not approve the company's Centocin drug for the treatment of septic shock. Centocor's problems spread

to other bio-tech stocks. Somatogen ended down 2 1/4 to 42 1/4, Biogen slipped 2 1/4 to 42 1/4, Immunex fell 1 1/4 to 42 1/4, and Amgen finished down 2 1/4 to 42 1/4.

The big computer technology stocks also gave up ground, with Microsoft, Wednesday's best performer, falling 1 1/4 to 127 1/4, Intel dropping 1 1/4 to 82 1/4, and Apple closing 1 1/4 lower at 59.

## Canada

TORONTO stocks ended mixed on Thursday as trading slowed before the three-day weekend. The TSX-300 composite index rose 3.8 to 3,415.1.

Declines led advances by 270 to 280 on volume of 20.2m shares valued at C\$249m.

## SOUTH AFRICA

GOLD shares in Johannesburg lost 2.5 per cent on Thursday as the bullion price fell to six-year low. The gold index was down 24 at 1,019, the overall index eased 8 to 3,352 but industrials rose 6 to 4,189. The market was closed yesterday.

## EUROPE

## Milan shrugs off De Benedetti news

MOST BOURSES were closed for Easter yesterday, with the exception of Milan, where Madrid, Oslo and Copenhagen were also closed on Thursday. The Spanish market will be open on Easter Monday, writes *Our Markets Staff*.

MILAN extended Thursday's gains on the second day of the "saw account" of the CNL index, rose 4.57 to 507.88, a gain of 1.3 per cent on the week, after rising 3.47 to 503.01 on Thursday. Turnover fell to around 1.6bn from Thursday's 1.7bn.

Shares controlled by Mr Carlo De Benedetti recovered from Thursday's falls, caused by the unexpected news that he had been sentenced to more than six years in jail for his involvement in the 1982 bankruptcy of the former Banco Ambrosiano.

Olivetti gained 1.55 to 12,690 after dropping 1.75 to 12,690 on Thursday. Carif fell 1.61 to 11,588 after falling 1.5 per cent to 11,597 the previous day.

Several large block trades in Euromobiliare, San Paolo and Alenia were reported on Thursday and Friday.

PARIS flirted with the 2,000 level on the CAC-40 index on Thursday before falling back on profit-taking. The CAC-40 went as high as 2,000.58 before closing 12.48 lower at 1,978.21, little changed on the week, in moderate turnover of 2,912.9m.

Peugeot fell 1.19 to 1,171.3 as investors were disappointed

## FT-SE Eurotrack 100 - Apr 16

Hourly changes  
11:00 11:05 11:10 11:15 11:20 11:25 11:30 11:35 11:40 11:45 11:50 11:55 12:00 12:05 12:10 12:15 12:20 12:25 12:30 12:35 12:40 12:45 12:50 12:55 13:00 13:05 13:10 13:15 13:20 13:25 13:30 13:35 13:40 13:45 13:50 13:55 14:00 14:05 14:10 14:15 14:20 14:25 14:30 14:35 14:40 14:45 14:50 14:55 15:00 15:05 15:10 15:15 15:20 15:25 15:30 15:35 15:40 15:45 15:50 15:55 16:00 16:05 16:10 16:15 16:20 16:25 16:30 16:35 16:40 16:45 16:50 16:55 17:00 17:05 17:10 17:15 17:20 17:25 17:30 17:35 17:40 17:45 17:50 17:55 18:00 18:05 18:10 18:15 18:20 18:25 18:30 18:35 18:40 18:45 18:50 18:55 19:00 19:05 19:10 19:15 19:20 19:25 19:30 19:35 19:40 19:45 19:50 19:55 20:00 20:05 20:10 20:15 20:20 20:25 20:30 20:35 20:40 20:45 20:50 20:55 21:00 21:05 21:10 21:15 21:20 21:25 21:30 21:35 21:40 21:45 21:50 21:55 22:00 22:05 22:10 22:15 22:20 22:25 22:30 22:35 22:40 22:45 22:50 22:55 23:00 23:05 23:10 23:15 23:20 23:25 23:30 23:35 23:40 23:45 23:50 23:55 24:00 24:05 24:10 24:15 24:20 24:25 24:30 24:35 24:40 24:45 24:50 24:55 25:00 25:05 25:10 25:15 25:20 25:25 25:30 25:35 25:40 25:45 25:50 25:55 26:00 26:05 26:10 26:15 26:20 26:25 26:30 26:35 26:40 26:45 26:50 26:55 27:00 27:05 27:10 27:15 27:20 27:25 27:30 27:35 27:40 27:45 27:50 27:55 28:00 28:05 28:10 28:15 28:20 28:25 28:30 28:35 28:40 28:45 28:50 28:55 29:00 29:05 29:10 29:15 29:20 29:25 29:30 29:35 29:40 29:45 29:50 29:55 30:00 30:05 30:10 30:15 30:20 30:25 30:30 30:35 30:40 30:45 30:50 30:55 31:00 31:05 31:10 31:15 31:20 31:25 31:30 31:35 31:40 31:45 31:50 31:55 32:00 32:05 32:10 32:15 32:20 32:25 32:30 32:35 32:40 32:45 32:50 32:55 33:00 33:05 33:10 33:15 33:20 33:25 33:30 33:35 33:40 33:45 33:50 33:55 34:00 34:05 34:10 34:15 34:20 34:25 34:30 34:35 34:40 34:45 34:50 34:55 35:00 35:05 35:10 35:15 35:20 35:25 35:30 35:35 35:40 35:45 35:50 35:55 36:00 36:05 36:10 36:15 36:20 36:25 36:30 36:35 36:40 36:45 36:50 36:55 37:00 37:05 37:10 37:15 37:20 37:25 37:30 37:35 37:40 37:45 37:50 37:55 38:00 38:05 38:10 38:15 38:20 38:25 38:30 38:35 38:40 38:45 38:50 38:55 39:00 39:05 39:10 39:15 39:20 39:25 39:30 39:35 39:40 39:45 39:50 39:55 40:00 40:05 40:10 40:15 40:20 40:25 40:30 40:35 40:40 40:45 40:50 40:55 41:00 41:05 41:10 41:15 41:20 41:25 41:30 41:35 41:40 41:45 41:50 41:55 42:00 42:05 42:10 42:15 42:20 42:25 42:30 42:35 42:40 42:45 42:50 42:55 43:00 43:05 43:10 43:15 43:20 43:25 43:30 43:35 43:40 43:45 43:50 43:55 44:00 44:05 44:10 44:15 44:20 44:25 44:30 44:35 44:40 44:45 44:50 44:55 45:00 45:05 45:10 45:15 45:20 45:25 45:30 45:35 45:40 45:45 45:50 45:55 46:00 46:05 46:10 46:15 46:20 46:25 46:30 46:35 46:40 46:45 46:50 46:55 47:00 47:05 47:10 47:15 47:20 47:25 47:30 47:35 47:40 47:45 47:50 47:55 48:00 48:05 48:10 48:15 48:20 48:25 48:30 48:35 48:40 48:45 48:50 48:55 49:00 49:05 49:10 49:15 49:20 49:25 49:30 49:35 49:40 49:45 49:50 49:55 50:00 50:05 50:10 50:15 50:20 50:25 50:30 50:35 50:40 50:45 50:50 50:55 51:00 51:05 51:10 51:15 51:20 51:25 51:30 51:35 51:40 51:45 51:50 51:55 52:00 52:05 52:10 52:15 52:20 52:25 52:30 52:35 52:40 52:45 52:50 52:55 53:00 53:05 53:10 53:15 53:20 53:25 53:30 53:35 53:40 53:45 53:50 53:55 54:00 54:05 54:10 54:15 54:20 54:25 54:30 54:35 54:40 54:45 54:50 54:55 55:00 55:05 55:10 55:15 55:20 55:25 55:30 55:35 55:40 55:45 55:50 55:55 56:00 56:05 56:10 56:15 56:20 56:25 56:30 56:35 56:40 56:45 56:50 56:55 57:00 57:05 57:10 57:15 57:20 57:25 57:30 57:35 57:40 57:45 57:50 57:55 58:00 58:05 58:10 58:15 58:20 58:25 58:30 58:35 58:40 58:45 58:50 58:55 59:00 59:05 59:10 59:15 59:20 59:25 59:30 59:35 59:40 59:45 59:50 59:55 60:00 60:05 60:10 60:15 60:20 60:25 60:30 60:35 60:40 60:45 60:50 60:55 61:00 61:05 61:10 61:15 61:20 61:25 61:30 61:35 61:40 61:45 61:50 61:55 62:00 62:05 62:10 62:15 62:20 62:25 62:30 62:35 62:40 62:45 62:50 62:55 63:00 63:05 63:10 63:15 63:20 63:25 63:30 63:35 63:40 63:45 63:50 63:55 64:00 64:05 64:10 64:15 64:20 64:25 64:30 64:35 64:40 64:45 64:50 64:55 65:00 65:05 65:10 65:15 65:20 65:25 65:30 65:35 65:40 65:45 65:50 65:55 66:00 66:05 66:10 66:15 66:20 66:25 66:30 66:35 66:40 66:45 66:50 66:55 67:00 67:05 67:10 67:15 67:20 67:25 67:30 67:35 67:40 67:45 67:50 67:55 68:00 68:05 68:10 68:15 68:20 68:25 68:30 68:35 68:40 68:45 68:50 68:55 69:00 69:05 69:10 69:15 69:20 69:25 69:30 69:35 69:40 69:45 69:50 69:55 70:00 70:05 70:10 70:15 70:20 70:25 70:30 70:35 70:40 70:45 70:50 70:55 71:00 71:05 71:10 71:15 71:20 71:25 71:30 71:35 71:40 71:45 71:50 71:55 72:00 72:05 72:10 72:15 72:20 72:25 72:30 72:35 72:40 72:45 72:50 72:55 73:00 73:05 73:10 73:15 73:20 73:25 73:30 73:35 73:40 73:45 73:50 73:55 74:00 74:05 74:10 74:15 74:20 74:25 74:30 74:35 74:40 74:45 74:50 74:55 75:0



## LONDON SHARE SERVICE

## AMERICANS

Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	59
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## UN calls for rival guerrilla groups to seek political solution to war

### Afghan peace plan in jeopardy

By Alexander Nicoll, Asia Editor

INTENSIVE efforts were being made yesterday to arrange a political settlement of Afghanistan's 13-year civil war after the removal of President Najibullah. The United Nations-sponsored peace negotiations into doubt.

The government in Kabul, the capital, in the hands of Najibullah's generals and ministers, appeared increasingly fragile as rival guerrilla groups continued their advance towards the city.

The guerrillas, who have been fighting to unseat the Soviet-installed regime of Najibullah, have intense rivalries among themselves and have been unable to agree on their participation in a peace accord. There were reports of their troops opposing each other close to Kabul.

The UN Security Council, as well as the US, Pakistan and other governments, issued urgent calls for restraint on all sides and for a political solution amid fears that Afghanistan could descend further into anarchy.

Mr Benon Sevan, the special representative of the UN secretary-general, was holding urgent talks in Kabul to salvage his peace plan, under which Mr Najibullah was to have handed over power to a 15-man neutral council. This would have led to an interim government and eventually to elections.

On Thursday, Mr Najibullah was stripped of power by his ruling party and attempted to leave the country, but was turned back.



Militiamen guard the Kabul-Jalalabad road as guerrilla fighting continues in Afghanistan

at Kabul airport. He is now in hiding in the city, probably in a UN office. The chief of the security police committed suicide.

The 44-year-old president installed by the Soviets on their invasion in 1978, held office for six years, longer than had been expected as Soviet support for the regime collapsed.

Other leading members of the ruling Watan (homeland) party pledged their commitment to the UN plan. But there were fears that the peace plan could be rendered irrelevant if mujahideen guerrilla groups fought with each other to assert control.

Mr Abdul Wakil, Afghan foreign minister, left Kabul for a meeting in Charikar, 40 miles north of the capital, with Ahmad Shah Masood, leader of the Jamiat-Islami guerrilla faction which controls much of the north of the country. He later returned but it was unclear whether the two men had met.

Near chaos, Page 3

## O&Y loans

Continued from Page 1  
Canary Wharf development in London's Docklands and C8100m for Canadian expenses.

However, O&Y needs to persuade banks to allow it to draw some of the £100m and C8100m by the end of the week. Without the new money and later agreement on the restructuring plan, O&Y would be forced to invoke insolvency procedures to seek protection from its creditors in the US, the UK and Canada.

Bankers fear such a move would have a devastating effect on weak property markets in the US, Canada and the UK.

A banker said that confidence among O&Y's 100 banks would improve if the Canadian government agreed to provide a short term or bridging loan to facilitate the C8300m sale of the Exchange Tower in Toronto.

The proceeds of the sale are hoped to be used to pay off some of O&Y's commercial paper - short term securities the group is being forced to redeem.

"The Canadian government told us it would make a decision on the Exchange Tower by the end of this week [today]," a banker said. "But they have made those kinds of promises before."

Bankers hope the UK government will help ameliorate Canary Wharf's financial problems by agreeing to change the terms of O&Y's £400m contribution to the construction costs of the Jubilee underground railway line, which would link Canary Wharf to central London. Bankers hope that the Government will agree to defer O&Y's payments for many years.

## De Benedetti vows business as normal

By Haig Simonian in Milan

MR Carlo De Benedetti, the Italian industrialist, stressed he would conduct business as normal, in spite of being sentenced on Thursday to six years and four months in jail for his role in the 1983 collapse of Banco Ambrosiano.

Mr De Benedetti and most of the 32 other defendants yesterday announced appeals against the ruling. Although he felt "profound bitterness" towards the judgment, Mr De Benedetti said he had not lost his "peace of mind and desire to work".

Under Italy's complex legal system, none of the accused is likely to go to prison for some time, if at all. The appeal procedure will take months, if not years, and the case may then be referred to the supreme court.

Shares in companies associated with Mr De Benedetti made up much of the ground lost after Thursday's judgments. Ordinary shares in Olivetti, the computer group controlled by his CIR holding company, closed at L3.680 (131.24p), just below Wednesday's close of L2.680, after tumbling to L2.605 on Thursday.

Mr De Benedetti described the original bourse reaction as "a bit of normal emotion", while the correction represented "a normal ending to a moment of emotion".

Appearing calm and in good humour after returning from a holiday in Spain to a hastily arranged Milan press conference, he avoided making any political accusations regarding the sen-

tences. Many of his co-defendants have attacked the judgments as being highly politicised.

Mr De Benedetti's independence from the political establishment, and occasionally outspoken comments, have earned him enemies in Rome over the years.

Last night, however, Mr Nino Cristofori, a junior minister and close adviser to Mr Giulio Andreotti, the prime minister, expressed "puzzlement" about the sentences on Mr De Benedetti and Mr Giuseppe Ciarrapico, a financier close to Mr Andreotti.

Mr De Benedetti, who was deputy chairman of Banco Ambrosiano for just 65 days, shed some light on his relationship with Mr Roberto Calvi, the bank's chairman who was found hanging under Blackfriars Bridge in London shortly before the bank collapsed owing £3.3bn (£730m).

Mr De Benedetti said Mr Calvi had indicated his intention to step down as chairman within a few months, leaving the way open for him to take the job. However, it became clear within days that Mr Calvi had changed his mind. Mr De Benedetti resigned after being told his position as deputy chairman would not be confirmed.

Mr De Benedetti stressed he had consulted the governor of the Bank of Italy before taking the job, and had made clear his doubts about Ambrosiano's management on stepping down.

"I don't know what more I could have done," he said.

The Ambrosiano affair, Page 3

## Labour stars may take key policies role

By Ralph Atkins

TWO rising shadow cabinet stars are likely to play a key role in overseeing Labour's policies if Mr John Smith, the shadow chancellor, wins the leadership.

Mr Smith, favourite in the contest, has brought in Mr Gordon Brown, trade and industry spokesman, and Mr Tony Blair, employment spokesman, to help formulate his campaign manifesto, as he faces pressure to broaden the debate on the party's future.

Their role, working with Mr Robin Cook, the campaign manager, would be widened to take a prominent part in a policy review after Mr Smith's victory. It is part of a move to counter claims that Mr Smith would only continue reforms started by outgoing Labour leader, Mr Neil Kinnock.

Yesterday Mr Bryan Gould, Mr Smith's main rival, said candidates "should not deliberately exaggerate differences" calling for a debate between the contestants and an agreement on "ground rules".

Mr Gould, also running for deputy leader, portrays himself as a radical candidate. But his comments may also have been aimed at allaying fears that Mr Smith could not work with him as deputy leader.

Mr Brown and Mr Blair are expected soon to announce policy initiatives, with Mr Smith, on issues including Scottish devolution and a bill of rights - but not electoral reform.

Labour embarked on a new rolling programme of policy formulation at its Brighton conference last year. But Mr Smith wants a streamlined, forward-looking review, distinct from that following the 1987 election, to prepare the party for a late 1990s election.

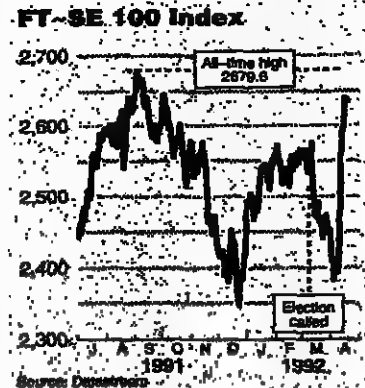
The party's over, Page 4

## THE LEX COLUMN

### London back on track

FT-SE Index: 2638.6 (+1.6)

FT-SE 100 Index



or risk Midland's share price falling back to where it started.

There does not seem to be much that HSBC can do to improve its offer. The regulators would probably frown on the drain of capital implicit in a cash offer. Increasing the equity component would provide a counter-productive fall in the HSBC price. Offering more loan stock would risk undermining the perception for what is already an exceptionally large issue of subordinated bank debt. It looks as though, having painted Midland's management into a corner, HSBC is trying to do the same to its shareholders. If the bid failed, though, another suit such as Lloyd's could take HSBC's place without having to mount a hostile bid. The downside risk of rejection might not be as great as it first appears.

## Midland

The fact that Midland Bank's shares now languish 9 per cent below the value of Hongkong Bank's offer suggests that the bid could be in trouble. The 6 per cent rise in Hongkong Bank shares since the terms were announced also suggests the reason: HSBC's shareholders, like Midland's, think the offer is cheap.

HSBC has not been helped by Kuwait's decision to sell most of its 10 per cent stake in the market for only 35p. Other Midland investors clearly also have doubts about the banking conglomerate that would result from the merger. With the market unresponsive to large offers of Midland paper, institutions apparently face an awkward choice. In the absence of a counter-bid they either have to go along with the HSBC terms

## Eurotunnel

Even by their own wobbly standards, Eurotunnel shares are behaving nervously ahead of next Friday's preliminary results. Having drifted back steadily but uneventfully since mid-January, the price fell a full 6 per cent this week on renewed fears that the long-rumoured retrenching is about to be announced.

After last month's ruling from the independent disputes panel that Eurotunnel must triple its monthly payments to the 10 Anglo-French contractors, it would be unwise to expect convincing reassurances from Sir Alastair Morton. However, stories that the company delayed its results because of an immediate financial crisis, and that the cash call is imminent, belong to wilder reaches of the mar-

ket's imagination. The chances are that the Eurotunnel chief executive will want to tough it out and though the odds may seem tilted against him, he may just have the cards to succeed.

The only certainty is that the 1996 peak financing requirement of £8.05bn will be increased in the light of lower GDP forecasts, changed duty free assumptions and the delay in the opening of the tunnel until autumn 1993. Even factoring in the most disadvantageous settlement of the claims dispute, the eagerly awaited revised figure might still be £200m short of Eurotunnel's overall financial limits. While that leaves little room for anything else to go wrong, the rights issue - if it comes - at least ought to be relatively small. The risk of the banks foreclosing looks politically negligible, and they might even be persuaded to permit a small overrun in the hope that the traffic forecasts ultimately prove conservative. The shares hardly seem worth selling.

## Worcester

There is something rather curious about Bosch's agreed £72m takeover of Worcester Group. A historic multiple of 22 might seem generous enough for a maker of central heating boilers. But Worcester is recovering rapidly from recession, and its own brokers expect earnings growth of over 20 per cent this year and over 30 per cent next. The 22p offer is only 30 per cent above the previous market price, which seems a meagre premium given the obvious benefits from putting the UK's and Germany's leading boiler makers together.

Even odder is the fact that Worcester's management will be bought out of its 22 per cent holding in four years, at a price up to .75 per cent higher than outside shareholders are being offered. Granted, the price could also be much lower, depending on results. But the outside holders are being paid according to Worcester's past performance. The management will be paid according to Worcester's past performance. The management will be paid according to Worcester's past performance. The management will be paid according to Worcester's past performance.

## Retail sales

Thursday's Lex column stated that official figures for UK retail sales in May would not be published until early July. They will in fact come out in mid-June.

## Tiny Rowland in secret visits to Gadaffi

Continued from Page 1  
details of the aircraft's itinerary.

But the Financial Times has learned that Mr Rowland and Mr Too flew on Saturday April 11 to Sirte, in northern Libya, where they held a series of meetings with Col Gadaffi and other Libyan officials.

Mr Rowland and Mr Too then

flew on Sunday evening April 12 to Nairobi, where Mr Rowland met Mr Moi to discuss his Sudanese initiative. On Monday evening April 13, Mr Rowland and Mr Too flew to Khartoum for discussions with the Sudanese military strongman Gen Omar Hassan Ahmed al Bashir, who gave his endorsement to Mr Rowland's

efforts. On Tuesday April 14 the two men flew to Tripoli, arriving after midnight.

A further series of discussions were held on Wednesday April 15 with Col Gadaffi and senior Libyan officials. Mr Rowland and Mr Too left for Zaire before the deadline, Libyan time, when UN sanctions came into force.

## CHIEF PRICE CHANGES THURSDAY

FRANKFURT (Dm)		Paris (FFr)		Tokyo (Yen)		Futures		Rise	
Alko	859 + 22	Alko	859 + 22	Alko	859 + 22	Alko	859 + 22	Alko	859 + 22
DW	582 + 11	DW	582 + 11	DW	582 + 11	DW	582 + 11	DW	582 + 11
Deutsche	145.5 + 7.5	Deutsche	145.5 + 7.5	Deutsche	145.5 + 7.5	Deutsche	145.5 + 7.5	Deutsche	145.5 + 7.5
PWA	239 + 11.5	PWA	239 + 11.5	PWA	239 + 11.5	PWA	239 + 11.5	PWA	239 + 11.5
Falka	865 + 15	Falka	865 + 15	Falka	865 + 15	Falka	865 + 15	Falka	865 + 15
Oldenburg	505 - 10	Oldenburg	505 - 10	Oldenburg	505 - 10	Oldenburg	505 - 10	Oldenburg	505 - 10
New York (\$)		Tokyo (Yen)		Futures		Rise		Rise	
Alko	765 + 2 1/2	Alko	765 + 2 1/2	Alko	765 + 2 1/2	Alko	765 + 2 1/2	Alko	765 + 2 1/2
Gen Motors	42 1/4 + 2 1/4	Gen Motors	42 1/4 + 2 1/4	Gen Motors	42 1/4 + 2 1/4	Gen Motors	42 1/4 + 2 1/4	Gen Motors	42 1/4 + 2 1/4
Falka	57 - 2 3/4	Falka	57 - 2 3/4	Falka	57 - 2 3/4	Falka	57 - 2 3/4	Falka	57 - 2 3/4
Bogen	2 1/2 - 2 1/4	Bogen	2 1/2 - 2 1/4	Bogen	2 1/2 - 2 1/4	Bogen	2 1/2 - 2 1/4	Bogen	2 1/2 - 2 1/4
Imperial	28 1/2 - 1 1/4	Imperial	28 1/2 - 1 1/4	Imperial	28 1/2 - 1 1/4	Imperial	28 1/2 - 1 1/4	Imperial	28 1/2 - 1 1/4

World Weather		UK Today: England and Wales will be dry but cloudy, becoming brighter by early afternoon. Northern Ireland, southern Scotland and parts of north-east England will have rain although eastern parts will turn dry.	
Algeria	F 13 15	Algeria	F 13 15
Amsterdam	F 13 15	Amsterdam	F 13 15
Antwerp	F 13 15	Antwerp	F 13 15
Athens	F 13 15	Athens	F 13 15
Bahia	F 13 15	Bahia	F 13 15
Barcelona	F 13 15	Barcelona	F 13 15
Bombay	F 13 15	Bombay	F 13 15
Buenos Aires	F 13 15	Buenos Aires	F 13 15
Calcutta	F 13 15	Calcutta	F 13 15
Cairo	F 13 15	Cairo	F 13 15
Cardiff	F 13 15	Cardiff	F 13 15
Chennai	F 13 15	Chennai	F 13 15
Copenhagen	F 13 15	Copenhagen	F 13 15
Dallas	F 13 15	Dallas	F 13 15
Dubai	F 13 15	Dubai	F 13 15
Durham	F 13 15	Durham	F 13 15
Edinburgh	F 13 15	Edinburgh	F 13 15
Frankfurt	F 13 15	Frankfurt	F 13 15
Glasgow	F 13 15	Glasgow	F 13 15
Hong Kong	F 13 15	Hong Kong	F 13 15
London	F 13 15	London	F 13 15
Los Angeles	F 13 15	Los Angeles	F 13 15
Madrid	F 13 15	Madrid	F 13 15
Manchester	F 13 15	Manchester	F 13 15
Mexico City	F 13 15	Mexico City	F 13 15
Miami	F 13 15	Miami	F 13 15
Moscow	F 13 15	Moscow	F 13 15
Nairobi	F 13 15	Nairobi	F 13 15
Paris	F 13 15	Paris	F 13 15
Rangoon	F 13 15	Rangoon	F 13 15
Reykjavik	F 13 15	Reykjavik	F 13 15
Rome	F 13 15	Rome	F 13 15
Sao Paulo	F 13 15	Sao Paulo	F 13 15
Seoul	F 13 15	Seoul	F 13 15
Shanghai	F 13 15	Shanghai	F 13 15
Singapore	F 13 15	Singapore	F 13 15
Sydney	F 13 15	Sydney	F 13 15
Taipei	F 13 15	Taipei	F 13 15
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# Weekend FT

Weekend April 18/April 19 1992

SECTION II

## If God is the answer, what is the question?

IN THE beginning God created the heavens and the earth. And the earth was without form and void. And the void was filled with a ferment of particles appearing and disappearing in the darkness. And God created quantum mechanics, relativity, quarks, and superstrings, each after its kind. And God said let there be light and there was a very Big Bang.

The more science discovers about the origin of the universe, the stranger the answers become. Max Wilkinson discusses the latest theories and what they tell us about the Creator

THIS, or something like it, is how modern cosmologists would rewrite the ancient text. And many would not delete the deity. Others, however, believe that science will soon solve the greatest of all mysteries, without the need for a Creator.

The debate is beginning to catch the imagination of a much wider public, as works of popular science cascade from the presses, carrying strange messages from distant galaxies and from the atom-smashing accelerators which scientists use to investigate the smallest particles of matter. Some of these, such as Stephen Hawking's challenging book, *A Short History of Time* (Bantam 1988) become best sellers.

The message of this new science is contradictory. Spectacular progress in recent years suggests that the whole history of the universe might be reduced to a set of equations, submitting the laws of nature to a Theory of Everything. This theory could not, of course, predict details such as "the fall of a sparrow", but God would no longer be needed to run such a universe; then we now think he is needed to explain storms and plagues. Yet the new physics often generates more mysteries than the mystery it seeks to explain - for example it has time running backwards, particles in two places at once and multiple universes. This is far different from the common sense world of Newton and even Einstein.

Yet some scientists believe that the complexity of the world which modern science reveals is itself an argument that God played an important part, as opposed to a completely scientific explanation. In 1985 Albert Einstein said: "The most

incomprehensible thing about the universe is that it is comprehensible". Paul Davies in *The Mind of God* (Simon and Schuster, 1982) takes up this theme in the light of discoveries which confirm even the wildest predictions of the new physics. Davies suggests that the mind of man and the informing principles of the universe must have more than something accidental in common. How otherwise could such strange complexity be apparent to us? How else could scientists receive those flashes of inspiration which reveal an unexpected pattern? But Davies shows that a scientifically literate believer will push God out of the driving seat. He becomes a distant designer rather than the guiding hand.

Roger Penrose, the Oxford physicist, approaches the question in a rather different way. *The Emperor's New Mind* (Oxford 1988), is an heroic, if inconclusive, attempt to apply the new physics to the workings of the human mind. He questions the mechanistic view that computers thought can like all else, be explained by science. Thought may, or may not show us to be as god-like, as Descartes believed; but according to Penrose, it isn't just physics.

In spite of the moderating influence of such scientists as Penrose and Davies, popularisation of the grand claims of new science is provoking a strong reaction. In this week's *Spectator* magazine, John Farrow, the education secretary, complains that science has weakened faith and thus contributed to social malaise. The idea is developed in a polemical work by Bryan Appleyard, *Understanding the present - science and the soul of man* (Picador 1992), published this month. He asks whether the "hol-

low, mechanistic vision" of scientific writers such as Hawking "will put us back on the treadmill of eternal progress, reducing the span of our lives to trivial, accidental interludes and removing our souls from our bodies".

This is hardly more than a *cri de coeur* - and silly, because in spite of his perceptive account of the development of modern science, Appleyard willfully confuses discovery, theory and scientific method in a crude personification of science as an intellectual bully. His plea that science should somehow be demoted and "humanised" is absurd. For science discovers only

truth. Anything which is not true can be defeated by argument and experiment, and if it cannot be so tested it is not science.

Yet Appleyard may have a point. As Richard Morris says in *The Edge of Science* (Fourth Estate 1991) "Scientists have been turning to questions that were once asked only by philosophers". What could be more arrogant than the attempt to penetrate the secrets of creation. However, the Bible's "In the beginning" is now known to be about 15bn years ago, a large figure but only the number of 21 coins which Exxon would need to buy Shell. How do they know? Well, some

sceptics agree with the title of Eric J. Lerner's new book, *The Big Bang never happened* (Simon and Schuster 1992). But most cosmologists are convinced big bangers. Edwin Hubble's discovery in 1929 that all galaxies are speeding away from each other was only suggestive. But in 1964, Arno Penzias and Robert Wilson heard the Big Bang, or at least its diminishing, as short radio waves coming from all directions. Why does it come from everywhere and not just from the place where the Big Bang is supposed to have occurred? Simple! Because the Big Bang happened everywhere. At that time the whole of space was shrunk

to an infinitesimal pinpoint. After the explosion, it inflated like a balloon, with all the stars on the surface moving away from each other.

Yet despite the immense detail in which the Big Bang is now described, the theory opens some acute difficulties, particularly the so-called "flatness problem". If the early universe had contained just the tiniest bit more matter, the extra pull of gravity between the stars would long ago have collapsed them all into a big crunch leaving not a wrack behind. On the other hand, with just the tiniest bit less matter, gravity would not have been strong enough to condense the primordial matter into stars, galaxies and our nice comfortable solar system. So it seemed, on the face of it, that the earth could have formed only as the result of a gigantic fluke - or divine intervention. The US physicist, Alan Guth found a possible solution in 1980, by the application of a Grand Unified Theory, combining three elemental forces which were hitherto considered separate, but which may have amalgamated in the primordial furnace.

At  $1/10^{35}$  seconds after the start ( $10^{35}$  is 1 followed by 35 noughts), Guth calculated, the universe would explode at an immensely accelerated rate, increasing its size a trillion trillion trillion times in a microblink of time. It did make the "flatness" problem seem less coincidental. But the theory is imperfect and the search continues. The latest idea of "superstrings", for example, seeks to explain matter in terms of a tiny one dimensional filament existing in 10 dimensions, seven of which we could not possibly see. Yet as Lawrence Krauss shows in *The Fifth Essence* (Hutchinson Radius 1988), computers playing God with such theories and a toy Big Bang can come up with some amazingly lifelike representations of the night sky over Greenwich.

Even so, as Robert Matthews points out in *Unravelling the Mind of God* (Virgin 1992), the question still remains: What started the Big Bang? Perhaps the question is not worth asking. Hawking and Penrose showed in the 1960s that if Einstein's relativity theory is correct, at the instant of creation the known laws of physics yield nonsensical results. More recently, however, Hawking and his colleagues at Cambridge University have been calculating what might happen if the ordinary laws of gravity were somehow to merge at enormous temperatures with the quantum theory which governs the interaction of very small particles. Although these ideas are still tentative, Hawking predicts that in the unimaginable heat of the earliest stage of the universe, time itself would be swallowed up and become a dimension of space. It would then be impossible to go further into the past, although there would be no starting point. Hawking likens this to the North Pole: you cannot go further north, but you cannot fall off. Fantastical as this may sound, it

is no more absurd than the predictions of quantum theory, which are verified in laboratories throughout the world almost daily. Quantum mechanics were developed early in the century to explain the behaviour of atomic particles which refused to obey the laws of mechanics which govern larger objects such as cricket balls and planets.

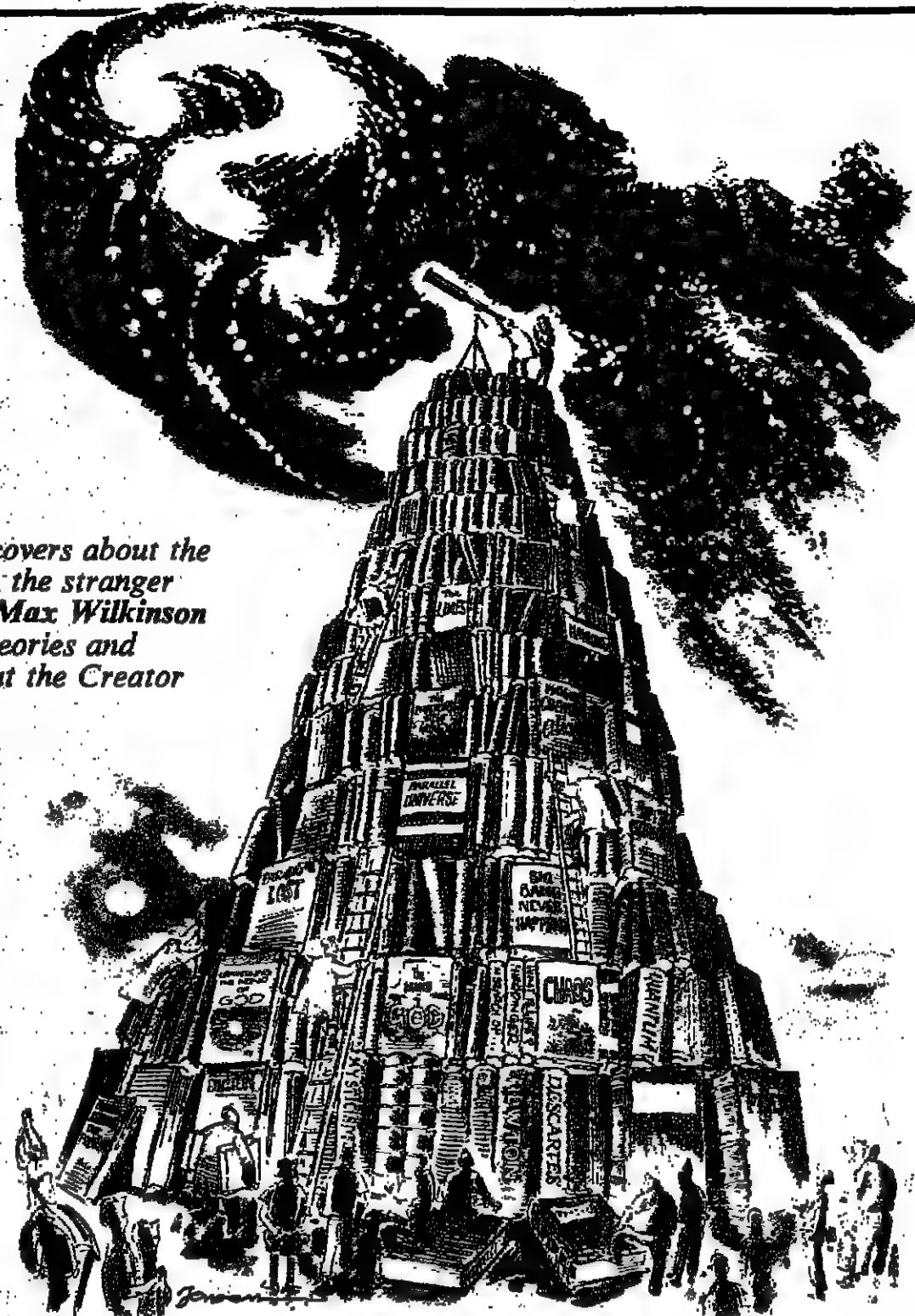
This theory, explained elegantly in John Gribben's *In search of Schrödinger's cat* (Bantam 1984) shows that when two particles bump into each other we cannot predict in advance what will happen, only the probability of different outcomes, and these possible outcomes coexist until the observer checks the result. Thus a single photon of light presented with two slits in a piece of paper will go through both. Only afterwards, when the observer decides how to view the event, will the photon "decide" which slit it "really" went through. The late Richard Feynman, the Nobel laureate, warned an audience of Australian students that they would not understand this, because he did not himself. The theory is repugnant to common sense, and was deeply disliked by Einstein, but it has been verified repeatedly.

Now quantum theory is deeply implicated in the modern explanations of the Big Bang. One of the things it says is that empty space is not empty at all, but seething with particles popping into and out of existence in a tiny fraction of a second. Incomprehensible? Yes, but nobody doubts it to be true.

So is there "somewhere else" that they come from? The question suggests to some theorists that our universe may be just one of many running in parallel. So perhaps the photon really did go through both slits, one in our world and the other in a different universe.

Be that as it may, Big Bang theorists suggest there may have been lots of bangs creating other universes, all connected by "wormholes" through time and space. They also speculate that the Big Bang may have been seeded by just a random appearance of particles predicted by quantum theory. Physics, it may be objected, is at this point exploding into speculation. But this is partly because ordinary science has shown the world to be far stranger than used to be suspected.

At the mundane level, chaos theory, described beautifully by James Gleick in *Chaos* (Penguin 1981) showed that apparently simple equations of physics can produce startlingly unpredictable results, so that science cannot, even in principle, predict everything. Moreover, in pure mathematics Kurt Gödel's theorem has shown that some propositions must be unprovable. Paul Davies thinks that this discovery dooms the physicists' ambition to reach the mind of God via a grand theory which would make the universe completely comprehensible. If so, Einstein may turn out to be wrong twice over.



### The Long View/Barry Riley

## Inflation puts up a fight



WELL, THE real inflation rate please stand up (or preferably, fall down)?

Is it the government's headline figure of 4 per cent for March, or should we believe some other figure? The year-

on-year factory gate inflation rate for manufactured goods was 4.5 per cent last month, for example. Excluding housing, inflation is still 7.3 per cent. Certainly the Germans tend to protest at British political claims that retail price inflation in the UK has now fallen below the German rate of 4.7 per cent. German calculations are distorted upwards by factors like tax increases, while British figures are being massaged downwards by cuts in mortgage rates and manipulation of poll taxes.

The technicalities of this are tedious, but there are signs that British inflation is proving resistant to the recession. Annual rises in average earnings have never fallen below 7 per cent on an underlying basis for more than 20 years: the average British worker expects a decent pay increase every year, come hell or low inflation. On the February calculation released this week the 7 per cent barrier has still not been breached. Of course, the continuing gap between pay inflation and price inflation may help explain why the government was voted back into power.

In the circumstances the British economy has become divided into two. That part exposed to external realities - especially the manufacturing sector - has had to bring down its inflation rate, although it has been helped by stable commodity price inputs. But the domestic economy has gone on its own sweet way. The past year's inflation in most household and personal services has been 7 or 8 per cent.

Now, however, the government has a rare opportunity to address this problem head on. In the past I have expressed doubts about whether the British electorate would really vote for anti-inflationary policies, but after the

re-election of John Major I have to eat my words. The gilt-edged market celebrated by pushing the yields on fixed income government securities sharply lower. Significantly, the index-linked issues noticeably missed out on the euphoria. So the buyers were not anticipating a fall in real interest rates, but were cutting expectations of inflation, now down to an implied 4.5 per cent.

Can sterling now be turned into a hard currency? There are now no fears of hung parliaments, temporary governments or soft-hearted socialist regimes. Sterling has zoomed by about 8 pence against the DM over the past week or so, pretty soon it could even be looking the DM straight between the eyes at 2.95 to the £. Sentiment can alter in strange ways; chaos in Eastern Europe this summer could undermine the DM.

International investors tend to place a premium on political stability, especially of the right of centre variety. Around the world just now there is not a great deal of this to be had. The Americans are taking significant financial risks in the interests of the re-election of George Bush. The Japanese one-party state has not turned out entirely to represent political stability, let alone financial equilibrium. France is still run by socialists, albeit of the market-friendly variety, and faces its own elections within a year or so.

One snag is the British trade gap. Hard currencies do not usually rub shoulders easily with balance of payments deficits. But this need not be a great problem so long as foreigners are keen to buy British government bonds. Indeed, it follows that if the government is financing its swelling budget deficit in large part by selling bonds overseas then there must be a current account deficit to match the capital inflow across the exchanges. If at some stage in the future British financial institutions wake up to the appeal of sterling bonds and displace the foreigners from the gilt auctions, ironically sterling then could start to slide. But the devaluationists lurking in the

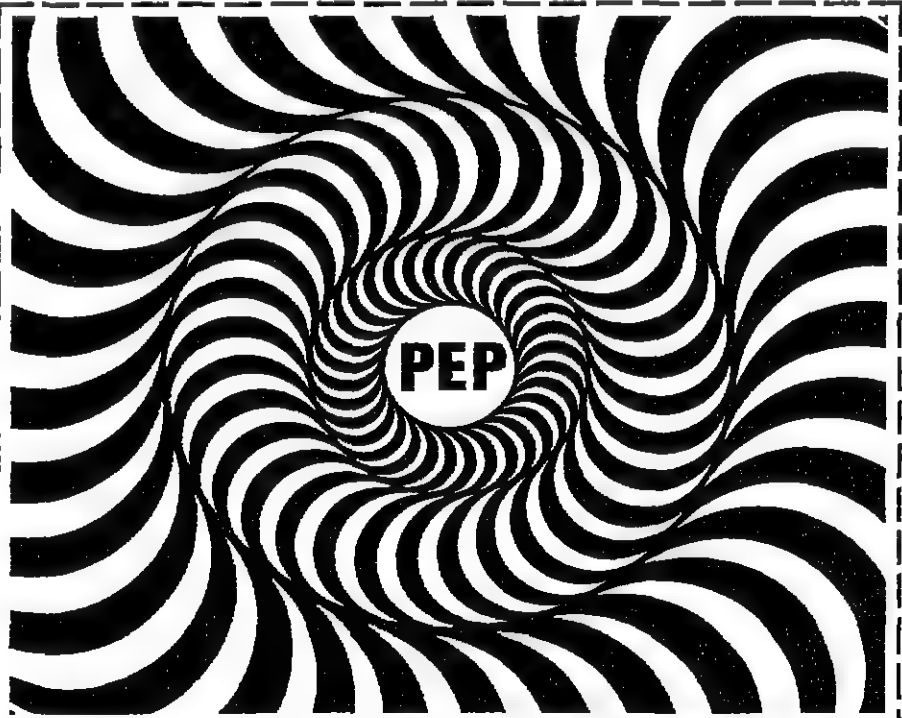
wings will argue that the British economy needs a hard currency like a hole in the head, and they have a point. What it needs is sharply lower interest rates. The virtuous circle is that a strong economy leads to a firm currency and to lower interest rates. This is how it used to be in Germany. The UK is coming from the other direction: somebody else's high interest rates (Germany's) are generating firmness in the currency which is leading to a weak economy. The current economic strategy is pointing to an employment crisis, as the jobless total heads towards 3m, and to a financial crisis, as interest accrues at real rates of 7 per cent or more on vast corporate and personal debts.

Chancellor Norman Lamont has been much abused for his suggestion last year that this economic distress is a price well worth paying to beat inflation. But 42 per cent of the electorate may have, in a manner of speaking, agreed within him. At any rate Major and Lamont now have the opportunity to seek a non-inflationary way out of Britain's economic mess without worrying too much about short-term unpopularity.

How? Well, there has to be something close to a pay freeze over the next couple of years. In the public sector this might be arranged through deft handling of a public spending crisis with an appropriate package of cuts. In the private sector a high exchange rate will help maintain pressure, although the stock market should be aware that profits will be squeezed as well as wages.

As for the debt overhang, the repayment priority is bound to keep the economy under restraint for several years. There is a big cash flow into the investment institutions of up to £20bn a year which could help in the refinancing, but government guarantees might be required. More about this anon.

Meanwhile, I have no official figures for chocolate Easter egg inflation, but on the basis of limited private sampling it is a lot more than 4 per cent.



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## MARKETS

## London Markets

## A curious lack of enthusiasm

By Peter Martin, Financial Editor

When the Birmingham and Midland Bank started business in the summer of 1836, it began the longest unbroken history as a shareholders' company of any of the English clearing banks. That history is now, it seems, drawing to a close. Midland Bank, as it is known these days, has agreed to be taken over by a bank thirty years its junior, the Hongkong and Shanghai Banking Corporation.

Tuesday's £3.1bn bid for Midland by HSBC Holdings, the Hongkong Bank's parent company, may not succeed: shareholders may decide not to follow their board's advice to sell out, and there is also the possibility of a counter-bid by Lloyds. Still, the odds currently favour the Hongkong bid.

There has been something a bit odd, however, about the events surrounding this week's announcement of the terms of

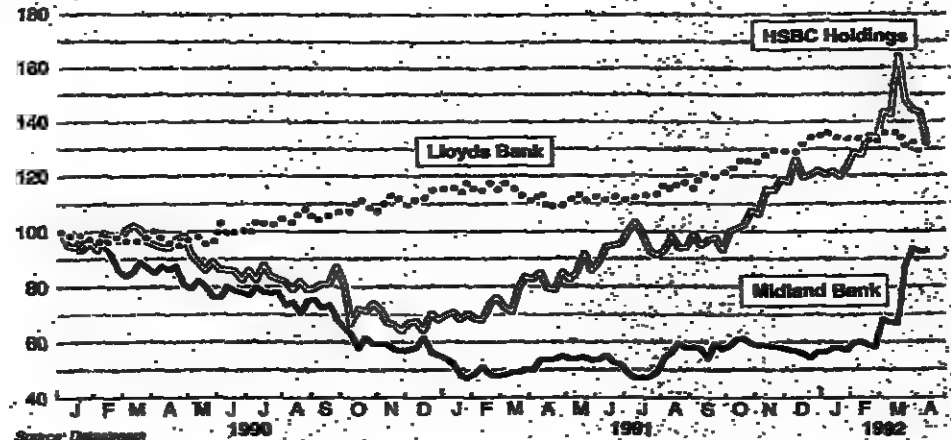
the bid. Mr Brian Pearce, the ex-Barclays man who has been Midland's chief executive for a year, said all that was proper as he endorsed the Hongkong offer.

It was clearly the right thing to do, he said, adding that he was personally excited by the challenge of making the takeover work. Seldom has anyone so excited sounded quite so mournful, however.

A similar ambivalence showed up in the stock market's reaction. Only three months ago, Midland Bank was trading at 208p. HSBC's offer, valued at 378p a share on Tuesday, represented an 82 per cent premium over that price, and a 6p premium over Monday's closing price.

Since then, Midland's shares have drifted down: HSBC's shares have risen. The Kuwait Investment Office spent much of Tuesday, Wednesday and Thursday attempting to find a buyer for the bulk of its 10% per cent stake in Midland -

Share prices relative to the FT-A Banks Index



Source: Datastream

initially asking 363p, then settling for 355p. By Thursday's close, the Hongkong bid was worth 369p, and the Midland price was 362p.

The lack of enthusiasm shown all round - by the KIO in selling its stake; by the market in pushing Midland's share price away from the offer rather than towards it; by Lloyds in not snapping up the KIO stake - is curious. The two alternative futures for Midland, after all, are genuinely exciting ones. If the Hongkong bid prevails, Midland will form part of a big new London-based banking group, a significant addition to the FT-SE; if Lloyds were to bid, win, and pass the regulators' scrutiny, the acquisition and dismemberment of Midland would transform the UK banking sector. Either way, there is a lot at issue for investors. You would be hard put to

ball by watching the stock market, however.

Perhaps portfolio managers have been too busy watching the FT-SE to pay attention to its constituents. On Thursday morning, the index touched 2673.4, only six points away from its all-time closing high of 2679.6, set in September 1991. It dropped back in the course of Thursday, however, to close at 2658.6, a 66-point gain since the previous Friday and a 202-point rise since the Conservative election victory.

Political enthusiasm does not explain all this rise. Investors have obviously been allowing themselves to believe that the economic recovery, signalled by a few indicators earlier in the year, is at last under way. February figures for industrial production, published on Tuesday, showed a rise of 1.1 per cent, well above economists' expectations. The seasonally adjusted index of manufacturing output is now back at levels last seen in the autumn.

On Friday, the statisticians reported that the number of people out of work at any time had risen by one million since the recession started. But the figures also provided some glimmer of hope: seasonally adjusted unemployment in March rose by 7,400, the smallest monthly increase since unemployment started rising in May 1990. In the three months to February, the average increase in unemployment was over 42,000.

The enthusiasm for shopping and house-hunting displayed over the four-day Easter week will provide a guide to whether these economists expecting essentially flat output this year are right; or whether the correct answer

lies with those who expect at least 1% per cent gdp growth as the pent-up demand of consumers spills into the High Street.

The shopper with the Visa card was not urged on, despite some market expectations to the contrary, by a cut in official interest rates. Short term interest rates firmed very slightly in the course of the week, with the rate implied by the short sterling futures contract rising from 0.03 per cent at Friday's close to 0.20 by the end of Thursday. The pound clambered creakily off the floor of the ERM, potentially increasing the latitude for a lower base rate. But mildly discouraging news on inflation in both Germany and the UK probably counted against an immediate interest rate cut.

Results reported this week included some dreadful figures and write-offs from big construction groups. Tarmac's pre-tax profits for 1991 fell nearly 90 per cent to £21m, and the company cut the final dividend to 2.4p from 8.4p.

Moviem's full-year profits fell from £24m to £3m before tax. It cut the final dividend from 15.35p to 4.85p, though the company's chairman, Sir Philip Beck, sounded encouraging about the outlook. Taylor Woodrow, under a new chairman, reported a loss before tax of £2.7m, against a profit of £83.6m a year ago. The company is pulling out of US contracting, and has cut 800 jobs.

Higgs and Hill reported the worst figures, a 1991 loss of £16.7m, against profits of £8.5m the year before. But its chief executive, Mr John Theakston, offered the best summary of the past year: "It's not been a lot of fun out there," he said.

## Serious Money

## Putting the case for equities

By Philip Coggan, Personal Finance Editor

MANY PRIVATE investors will be disillusioned with shares. If they were sucked in at the top of the bull market in 1987, they will still have seen only a small profit after five years.

And of course, many will have sold out immediately after the Crash, at a loss, and vowed never to touch equities again.

Now there are some interesting alternatives to shares, such as National Savings and Index-linked gilts. But for those who intend to live off their savings for a long period, history shows that it would be foolish to ignore equities altogether. For periods of a decade or more, they beat building society returns by a street.

It is one thing to decide to invest in shares; quite another thing to know how to go about it. Over the next few pages, we suggest both the practicalities and a variety of strategies for stock picking.

Picking your own stocks probably requires an equity portfolio of at least £10,000 and many would argue that £25,000 or more is required. For those with less than that sum, or those who do not want the aggravation of making their own stock selections, an investment or a unit trust is the sensible route into equities.

In the last financial year, investment trusts were the fashionable vehicle. Investors seized the chance to put £5,000 into new issues and qualify for the full Personal Equity Plan allowance, while existing trusts were limited to £3,000. 21 trusts raised a total of £780m.

This was a classic case of tax relief distorting a market, rather as life assurance premiums towards endowments. Now that the distortion has been removed, and the political prospects for the next five years are stable, it may be a time for a rethink of some of last year's investment decisions.

Broker Credit Lyonnais Laing, in its new yearbook for

1992, is dubious about the merits of some of the 1991-92 new issues and believes that the bubble may be about to burst.

Analyst Peter Walls worries that "sophisticated capital structures were used to convince relatively unsophisticated investors that discounts are irrelevant."

The point here is that the market value of investment trusts and the value of their portfolios are not the same thing. The price of investment shares is set by supply and demand, and can move up and down even though the assets in the portfolio are unchanged.

Traditionally, the value of the investment trust shares has been lower than that of the portfolio. In the jargon, the shares trade at a discount. Say the trust had 100m shares and assets of £100m. Assets per share would be 100p, but the share price might trade at 90p, a discount of 10 per cent.

Buying investment trust shares at a discount thus allows the investor to get extra assets for his or her money.

But many of the new issues have been trading at a premium to their asset values. In other words, investors are paying, say, 100p, for assets of 90p.

The argument has been that by creating a split capital structure - issuing separate classes of shares for income and capital growth - trusts have increased overall demand for their shares and thus eliminated the problem of the discount. Walls argues that this might be an illusion. When one lumps all the split capital shares together, you end up with a conventional investment trust. This is especially true for investors who bought a package of split shares; they have the equivalent of an ordinary share in a conventional investment trust.

The conundrum therefore is: why own package shares in a split capital issue at a premium, when "one" can buy

shares in a conventional investment trust at a discount? As Walls expresses it, the investor knows "that over the remaining life of the trust, the market value of the package has to outperform the underlying assets of the trust."

There was a sensible reason for buying such trusts last year, when the new issue was the only way of getting a tax free £5,000 portfolio. I felt at the time that the M&G Income Trust had attractions to income-seeking investors, since it offered a 6.55 per cent tax free yield, the equivalent of 10.9 per cent gross to top rate taxpayers.

The package shares now stand at 102p, slightly above the issue price of 100p. But they are trading at a premium to assets of 7 per cent. Now that the government has changed the rules, there is a case for transferring the sum into a conventional investment trust which is standing at a discount.

You might see a short term drop in income, depending on the new trust selected, but transfer charges would be relatively low and long term capital growth might be higher (because of the discount effect). Whether or not a transfer seems sensible depends on how much of your portfolio is tied up in the trust. If it is a substantial proportion, then a transfer may provide a useful diversification of risk. If the investment is only a small proportion of your portfolio, then one may decide that M&G is as likely to manage the money well as anyone else. And one should check the costs of any transfer very carefully; high charges would eliminate the potential benefits.

These arguments apply to all the new issues of last year, especially as a premium, not just M&G Income. Changes in tax rules often require investors to be flexible about their portfolios.

## HIGHLIGHTS OF THE WEEK

	Price Thursday	Change on week	1992 High	1992 Low	
FT-SE 100 Index	2658.6	+66.0	2640.2	2582.7	Post election buying
Airtours	267	+13	266	233 1/2	Holiday bookings surge
Alexandra Workwear	56	+36	56	36	Presentations to institutions
Aviva Petroleum	103	-51	375	35	Fears of oil well problems
Berkley Group	315	+39	319	210	Housing sector recovery hopes
British Land	162	+20	275	154	Properties rally
Dixons	253	+17	250	198	New technology exhibition well rec'd
Euro Disney	1335	-105	1825	1333	Lacklustre opening/analysis downgraded
Eurofima Units	375	-25	488	362	Cash call fears
Granada	277	+20	275	192	BSkyB regulatory fears removed
Guinness	571 1/2	-27 1/2	625	506	Stock cov'n & Far East sales fears
Kwik Save	589	+32	639	514	Takeover rumours
RMC	645	+72	645	521	Building market recovery hopes
TI Group	743	+99	743	521	US recovery hopes
Wessex Water	477	+21	482	385	Demand for utilities after election

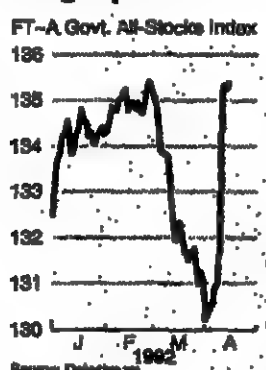
## AT A GLANCE

## Interest rates



Source: Datastream

## UK gilt prices



Source: Datastream

## Germany is key to rate cut

Hopes are high that the government can reduce interest rates following the re-election, but the key factor may be Germany. As the graph shows, the gap between UK and German interest rates is low by the standards of the last 13 years. Although UK inflation has fallen, it remains to be seen whether investors would accept a lower return on sterling than on mark deposits. Any substantial fall in UK rates may thus have to await action by the Bundesbank.

## Gilt market glisters

The rise in gilt prices after the re-election of the Conservatives means that government bonds have recouped the losses they suffered during the run-up to the election and the Chancellor's surprise announcement of a £22bn borrowing requirement. Optimists now point to the 5.5 per cent gap between gilt yields and inflation; pessimists worry about the government's need to issue more and more bonds to repair its deteriorating finances.

## Docklands EZT blow

There was more bad news for Docklands enterprise zone trust investors this week. Investors in PET 8, which owns Two Exchange Tower, have been asked to defer the rent they are owed. This rent is in many cases used to pay off the loans with which investors have funded their investment, and extra tax relief is available if this is done. Globe Trust, the private property company formerly called Charter Group, guaranteed the income from its 250,000 sq ft office building, which is still only 40 per cent let. It has asked the trust's investors to defer the rent, which is £5m a year, until it has solved its liquidity problems by making a property sale.

## China investment offer

The chance to back the investment potential of China is on offer from an offshore fund being launched by Hainan Prolific. The Dublin-based China Opportunities fund will initially invest in companies quoted on the Hong Kong and other Asian exchanges, which have operations on the Chinese mainland. As the Chinese stock markets develop, the fund will widen its net. The minimum investment is £1,500 although the fund will be priced in dollars.

## Irish Life equity offer

Irish Life has launched a guaranteed equity product. The Guaranteed Growth Account, available until July 31, promises to pay up to 120 per cent of the original amount invested on August 1 1997. However, if it manages to outperform this, investors will receive the full value of the increase. The sum guaranteed varies according to the time you make the investment, and the amount invested. To receive the full 120 per cent, you must invest at least £25,000 by May 1. Minimum investment is £2,000.

## Correction

The David Harris who wrote last week's piece on waiver of dividends was not our regular contributor from Chantrey Villacott. He was, in fact, a practising barrister from 2 Temple Gardens, Temple, London EC4Y 3AY.

HERE COMES the recovery. In the last week a host of US corporations have reported first quarter earnings that exceeded market forecasts, an indication that business conditions have improved significantly since the end of last year.

The good news gave Wall Street a rush of energy. In the first five trading days of the quarterly reporting season the Dow Jones index jumped 172 points, or 5.4 per cent, setting record highs as investors rushed into big industrial and cyclical stocks in anticipation of a sustained recovery in corporate profitability.

Admittedly, the broader market fared less well, with the Standard & Poor's 500 holding below its all-time high and the Nasdaq composite of over-the-counter stocks still handicapped by the hangover among biotechnology issues. The underlying tone of the market, however, remains firm, aided by the fact that last week's unexpected policy ease suggests the Federal

Reserve is prepared to put its foot down on the monetary accelerator any time the recovery looks like stalling.

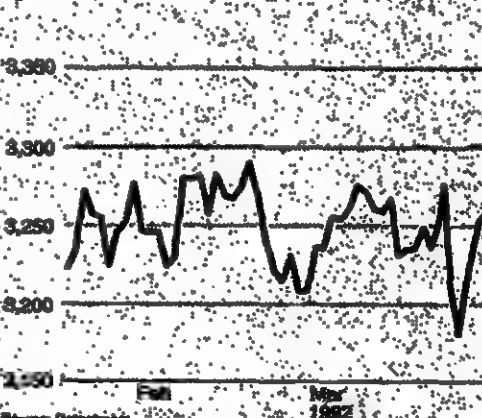
The recent evidence, however, indicates that the corporate economy is picking up speed. Aluminum Company of America, known as Alcoa, opened the season with first quarter profits of \$78m, three times better than the consensus of analysts' forecasts. The reward was a 12 per cent jump in Alcoa's share price over the following three days.

After Alcoa, results tumbled out, revealing higher earnings across a spectrum of US industry. Goodyear, Hilton Hotels, IBM, International Paper, American Home Products, Pfizer and CBS were some of the big names to report improved profits that exceeded expectations.

Unsurprisingly, in the wake of buoyant financial markets and heavy stock and bond underwriting activity, the biggest first quarter gains were seen from Wall Street itself, with securities houses J P Morgan, PaineWebber, Bear

## Wall Street

## Dow bounds ahead on recovery hopes



Source: Datastream

Stearns and Charles Schwab all posting record profits.

If the first quarter is turning out to have been the opening stage in Corporate America's recovery, the rest of 1992 should see companies building on those gains. According to the Institutional Brokers Estimate System (IBES), which

tracks Wall Street earnings estimates, corporate profits are forecast to rise 41 per cent this year.

The heavy demand for stocks from investors this past week suggests they have placed their faith in the forecast, because stocks look expensive at the moment in

terms of past earnings, with the S&P 500 currently selling at about 26 times trailing earnings. The index, however, sells at just over 18 times prospective 1992 earnings if the IBES numbers are used, which makes the market look more affordable.

The underlying economy is also perkier, judging by this week's economic numbers. At first glance the February business inventories (unchanged-to-lower) and the March retail sales (down 0.4 per cent) and industrial production (up just 0.2 per cent) numbers inspired little confidence.

However, a closer examination revealed that business inventories were flat or weaker because companies continued to run down stocks to meet increased demand. Retail sales were lower on the month, but over the first quarter real retail sales (adjusted for inflation) the biggest gain since late 1988. As for industrial production, the monthly increase was modest, but on an annual comparison March

industrial production was up 2.1 per cent, reflecting a recovery in output last summer.

The performance of US stock markets this week was especially impressive considering that the derivatives markets in Chicago were out of action for most of the week because of flooding. The lack of futures and options trading meant stock market traders in New York could not hedge their trades with index options and futures, and program traders could not participate in computerised stock index arbitrage.

This kept volume down and reduced volatility in stock prices. For several of the older dealers on Wall Street it was all a happy reminder of the "good old days", when equity markets were untroubled by the machinations of program traders.

Patrick Harverson

Monday	\$289.90	+1.53
Tuesday	\$306.13	+56.23
Wednesday	\$342.76	+47.63
Thursday	\$368.50	+12.74
Friday	closed	

## The Bottom Line

## Hotels sector still has room to improve

LAST YEAR was awful, the company says. Pre-tax profits were down 63 per cent. This year looks better, but not much. We are maintaining our dividend, but it is only 60 per cent covered by earnings. We are much too dependent on the UK and that will not change for at least five years.

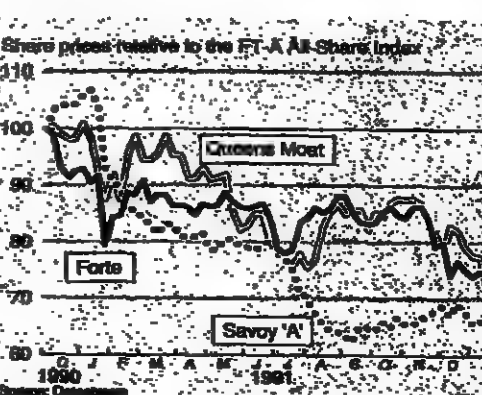
No problem, says the City. We'll mark your shares up 4p on that splendid news, just 2p shy of the year's high. Is it a historic multiple of, say, 42 all right? A prospective price earnings ratio of 27?

There cannot be many companies that investors treat with the same understanding as Forte, the hotels, contract catering and restaurants group, which reported full-year profits of £73m last Wednesday, down from £190m in 1990. Compare Forte's rating with that of Queens Moat Houses, another hotel company, which

announced its results a week earlier. Queens Moat's pre-tax profits were down only 3.9 per cent to £90.4m. The company survived the UK and US recessions by reducing its dependence on the British market, something Forte has been promising to do for some time. Queens Moat trades on a historic and prospective multiple of 40.

Hotel companies should be easier for investors to evaluate than organisations which manufacture pharmaceuticals or electronic devices. We have all stayed in hotels; we are in a position to evaluate the quality of service. The management's willingness or reluctance to negotiate a discount on the room rate and a quick glance at how many tables are full at breakfast should help us to decide how well or badly the establishment is doing.

Forte and Queens Moat demonstrate the weakness of this common-sense approach. The market appears to have its own



Source: Datastream

reasons for favouring Forte and disliking Queens Moat. Some analysts say Queens Moat is out of fashion because the City does not like its depreciation policy. Other point to its frequent rights issues - seven since 1990.

Peter Joseph of Smith New Court says that because Queens Moat has weathered the past year reasonably well

there is less scope for a spectacular recovery. Forte's poorer performance means the bounce back to health will be more impressive, although he warns that that is still some years off.

Paul Slattery of Kleinwort Benson says the reason the two companies have such different ratings is that Forte simply has a better understanding

of how to handle shareholders. "Forte has spent a lot of time with shareholders - doing presentations, entertaining them and keeping them informed about what they are planning and what the potential outcomes are. About 15 per cent of Forte's shares are held by Scottish institutions, which are well-known for their long-term view. Many in the London market hold Forte as a core holding, at a long-term hold. Over the past year, as earnings have collapsed, there have been few sellers."

Queens Moat, on the other hand, is still regarded, and still regards itself, as an emerging company, he says. "The company spends less time explaining itself to its shareholders. Slattery does not expect Forte's profits to justify its share price until the year to end-January 1995. That it is a long time to wait. The shares, in the meantime, are expensive for anyone wanting to invest in the company."

Queens Moat shares are cheaper. But forecasts of the company's future performance differ. Queens Moat gained 42 per cent of its profits last year from hotels in Continental Europe. Although the UK hotels suffered through the Gulf War and the recession, its 86 Continental hotels recorded solid performances. Profits in both Germany and the Netherlands rose 30 per cent.

The company is cautious about its performance for this year, saying growth will not resume until 1993. Where analysts differ is over prospects for the Continental hotels. Some worry that the German market is about to suffer. Others believe the Continental hotels will prove their resilience.

One company is the place to be. Forte, the market's favourite, says it has several Continental properties in its sights.

Michael Skapinker



## FINANCE AND THE FAMILY

## The O'Higgins road to riches

Philip Coggan tests an intriguing investment theory

PRIVATE investors are constantly being told that they should buy shares, and now that the Conservatives have been re-elected they may be tempted to plunge into the stock market. But which shares should they buy?

A US fund manager has recently outlined a stock-picking theory which is beguilingly simple, appears to be remarkably profitable, and also seems to work in the UK.

The theory, which appears in a US book\* by money manager Michael O'Higgins, is designed to be easy for private investors to use. All you need is the share price pages of a newspaper, some patience, and an initial slug of capital.

Between 1973 and 1981, a portfolio chosen by the O'Higgins method produced annual average returns of 19.4 per cent, compared with 10.4 per cent from the Dow Jones Industrial Index.

So what is this apparently miraculous theory? All it involves is the 30 blue chip stocks that make up the Dow Jones Index. The constituents change only rarely; 15 remain from the original 1928 list.

O'Higgins suggests writing down the Dow stocks and checking, via a newspaper, the share prices and dividend yields. The first step is to circle the 10 shares with the highest yields. The next step is to tick off the five dividend stocks with the lowest share prices. These five shares form the portfolio for the year.

After one year, the whole exercise can be repeated. O'Higgins says you must be ruthless and sell stocks which no longer appear in the top five. If one of the selected stocks drops out of the index, it should be retained till the end of that year, but cannot qualify as one of the five stocks in subsequent years.

Now, the wise man is suspicious of such "wonder theories". On O'Higgins' figures, the strategy has not worked every year; only after a num-

ber of years do the advantages begin to tell. But why should it work at all?

In essence, it is just a variation on the age-old tactic of "value investing". The yield of a share is merely the dividend expressed as a percentage of a share price. If share prices fall while dividends are constant, the yield will rise. So a high yielding stock with a low price is almost certainly one which has seen a share price decline. One type of "value investing" is to choose such stocks on the grounds that the decline has been overdone.

This tactic is far from infallible. Of our four test portfolios started last July (see page IV), the high yield selection has done the worst. High yield comes at a price: high risk. In normal markets, if a share yields over 10 per cent, the chances are that many investors do not expect the dividend to be maintained, or paid at all, and some may fear that the company will go bust.

The O'Higgins method, by concentrating on only the 30 blue chip Dow Jones stocks, much reduces the risk of disaster. These are stocks with a long, relatively stable history.

Impressed by the simplicity of this theory, I decided to test it in the UK. The London market has a ready equivalent to the Dow Jones Industrial

the FT 30 Ordinary Index, first compiled in 1885. This index also consists of leading blue chip companies, although some of the original components, such as Fine Spinners and Doublers, have disappeared.

To make the exercise fair, I decided to make some adjustments. The geometric method for calculating the FT 30 index makes it a poor measure of investment performance over a long period (it understates growth). So I decided to use the FT All-Share Index, acknowledged to be a tough measure to beat, as the benchmark.

O'Higgins also does not allow, in his calculations, for commissions, or taxes. I deducted 5 per cent a year for dealing costs from the returns achieved by the selected portfolio (no costs were taken from All-Share returns). On taxes, I did not deduct CGT but I did use the net, rather than gross, dividend yield.

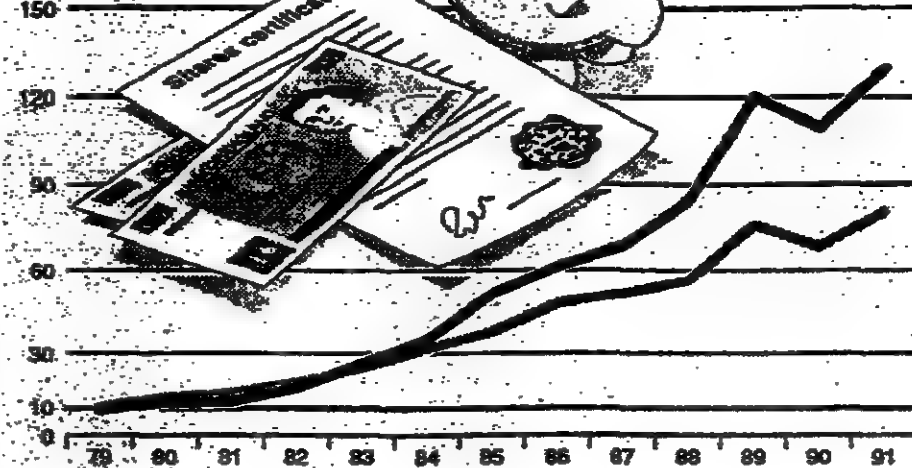
The calculations were made by the simple method of looking up the share prices and yields in the first edition of the FT each year. Following the example of O'Higgins, I calculated the returns by adding the dividends for the year to the capital gain or loss, and expressing the result as a percentage of the original price.

So, if BT had been bought for 100p, paid 5p in net dividends

## Beating the All-Share

Value of a £10,000 initial investment

Investment value £ (000)



for the year, and was sold after one year for 110p, the total return, before costs, would be 15 per cent.

The return for the All-Share was calculated by adding the yield on the All-Share at the end of the year to the percentage rise or fall in the index over the year. So if the index rose from 200 to 210 over the year, and the net yield at the end was 5 per cent, the return would be 10 per cent.

It also seemed sensible to limit the test to the years since 1979. This is long enough to test the theory but only covers Conservative administrations.

After following these conditions, the table and the graph show the results. The "five" portfolio of the high yield, low price FT 30 stocks lagged behind initially, but pulled ahead in 1983 and has stayed ahead ever since. A sum of £10,000 in 1979 would have grown, after all dividends had been reinvested, into more than £130,000 by the start of 1992 (an annual return of just under 22 per cent). The same sum invested in the All-Share would have grown to around £81,540 (an annual return of around 17.5 per cent).

Just in case dividend reinvestment is impractical, I also worked out the returns on a capital growth basis alone. The result is much closer (£88,151 versus £53,914) but the "five" portfolio is still ahead.

What stocks has this method chosen? In 1981, the five selections would have been old

names such as John Brown, Dunlop, UDS, London Brick and Allied Breweries. For 1991, the method picked out British Airways, GEC, Hanson, NatWest Bank and GKN.

Is the theory foolproof? Of course not. Just because it has worked to date is no guarantee that it will work in future. It is often the case that as soon as a pricing anomaly is discovered, and investors try to exploit it, it disappears. A FT 30 stock might collapse entirely (it happened to British Leyland); the stock market might have changed fundamentally after Britain's entry into the Exchange Rate Mechanism.

One should be particularly wary of assuming that the nominal returns achieved between 1979 and 1991 can be repeated. That seems highly unlikely, although real (after inflation) returns may still be healthy. The system is aiming to beat the All-Share rather than to produce any particular level of absolute return. But as in 1990, one can beat the All-Share and still lose money.

On average, one is required to sell three stocks each year. If more stocks are needed to be sold, or if the portfolio is lower than the suggested size of £10,000, costs may be higher than I have estimated.

In addition, you can see from the table that the system has outperformed the All-Share in eight years, and underperformed in five. The next two or three years may be underperformance.

## Directors' Transactions

READERS should note that this week's tally of sales and purchases is considerably shorter than the original version. The very high level of sales in particular caused us to raise the dealing size threshold from £10,000 to £40,000.

Nevertheless, the column still provides an accurate reflection of the heavy bias towards selling in the run-up to the general election. Given the result however, next week may well see a sharp reversal in that trend.

Kevin McDonald, chairman of Polyipe, sold 4.8m shares at 86p in July last year and was last week prompted to sell a further 1m shares at 113p. Polyipe is one of the few building material companies to have weathered this recession and the share price performance has certainly reflected that.

Shares in City Centre Restaurants, owners of the Garfunkels chain, have almost doubled since the dark days of

early 1990, but over that period earnings have stood still. Philip Kaye, the chief executive, has sold 2m shares at 48.5p leaving himself with 6m shares.

The sale by Paul Ellis of 1,222,000 shares in Crown Communications arose solely out of personal financial commitments.

Angus MacDonald, Directus Ltd Key to sectors: BdMa = Building Materials; Brew = Brewers & Distillers; BuSe = Business Services.

Chem = Chemicals; Cong = Conglomerates; Elns = Electronics; EngG = Engineering General; FdRe = Food Retailing.

Hlth = Health & Household; H&L = Hotels & Leisure; InsB = Insurance brokers; Med = Media; Merc = Merchant banks; Met = Metals & Metal Forming.

Misc = Miscellaneous; Motr = Motors; OthF = Other Financial; Tele = Telephone Networks; Tran = Transport.

## DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED &amp; USM)

Company	Sector	Shares	Value	No of directors
<b>SALES</b>				
Barbour Index	BuSe	42,356	97	1
Bodycote Int'l	Cong	60,225	230	1
British Vita	Chem	88,321	206	2
Bulmer (HP) (Pref)	Brew	50,796	57	1
City Centre Rest.	H&L	2,000,000	1,190	1
Closa Brothers	Merc	20,000	50	1
Crown Comm.	Med	1,222,000	257	1
FI Group	Misc	13,772	63	1
Fisons	Hlth	17,541	56	1
General Electric Co.	Elns	50,000	98	1
Health CE	InsB	3,520	34	2
Henderson Admin	OthF	45,600	278	1
Lie Sciences	Hlth	40,000	59	1
LWT (Pref)	Med	20,000	53	1
Macellan-Glenlivet	Brew	304,450	518	2
Morrison Wm S'mkt	FdRe	70,000	224	1
Polyipe	BdMa	1,000,000	1,130	1
Securcor A	Tele	10,300	55	3
Senior Engineering	EngG	240,092	179	2
Soundtracs	Elns	250,000	95	1
Tibbett & Britten	Tran	15,000	83	1
UDC Holdings	Misc	25,000	81	2
Vardy (Reg)	Motr	25,000	34	2
Victaulic	EngG	5,000	43	1
<b>PURCHASES</b>				
Aspen Communication	Misc	50,000	54	1
ASW Holdings	Met	50,000	59	1
Barbour Index	BuSe	46,220	106	2
BM Group	EngG	27,000	65	2
Bridon	EngG	50,000	41	2
Gardiner Group	BuSe	380,000	76	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (1) if 100% subsequently sold, with a value over £40,000. Information released by the Stock Exchange 6-10 April 1992. Source: Directus Ltd, Edinburgh

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If you had placed £6,000 in the Saints PEP on 3rd January 1991, paid 3% commission (net investment £5,788) and reinvested your income, your fund would have been worth £8,026 twelve months later, a 33.8% increase.

Over the same period, with income reinvested, the FTA All Share Index rose by 20.7%.

Past performance, particularly over such a short period is not necessarily a guide to the future.

Moreover, the value of your investments can fall as well as rise and you may get back less than you invested. The tax treatment of PEPs may change in the future.

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\*Illustration based on an actual client. Mid-price valuations. Index figure source - The WM Company.

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## FINANCE AND THE FAMILY

## Picking people to pick your shares

John Authers looks at the choice of advisers and brokers that faces anyone planning to build a portfolio

**B**UYING shares seems to be the thing to do in the fourth Conservative term. From election night onwards, when brokers allowed trading through the night - so that you could sell water shares with every "Lab Gain" - equities have enjoyed a bonanza.

Those who want to get involved might ask the following questions:

■ Where can you go for advice?  
Plenty of people offer advice. Ultimately, your best chance of receiving impartial guidance comes if you pay a fee for it, as your adviser then has no financial interest in whether you go through with the investment. Pay by commission, and they will have an incentive to force you into a deal.

■ If you have a substantial portfolio, you should be able to find a manager who will look after it, in return for a percentage fee based on the amount you invest. Recently speaking, stockbrokers divide into three. Some provide a "discretionary" service, in which you allow the brokers to decide what to buy and sell; others give an advisory service, where you will normally pay them commission for each deal; and the cheapest are "execution only" dealers, where brokers give no guidance whatever.

■ What is the bid-offer spread?  
The marketmakers who buy and sell shares do not normally receive either a fee or a commission for the service. They make their profit from the "spread" between the price at which they buy, and the price at which they sell.

■ When you buy a share, you will pay the "offer" price. This is higher than the price at which you could sell them to the marketmaker, which is known as the "bid" price. Share prices are usually quoted at the middle-point between offer and bid, so remember that you will pay more, or receive slightly less, than this price.

■ How much will it cost?  
Brokers, like marketmakers, cost money. Those who offer broader discretionary services

will charge you more. However, they claim that you get what you pay for.

If you want a truly deluxe service, such as that from James Capel, which provides options and highly respected research, and detailed advice on capital gains tax, then as a discretionary client you will pay an annual fee of 0.5 per cent of the value of the portfolio up to the first £500,000. It reduces thereafter. On individual deals you will pay 1.1 per cent up to the first £10,000.

Capel's advisory clients pay a £250 annual fee, plus 1.85 per cent dealing commission on the first £10,000 of each deal. It decreases for higher amounts. ■ What about discount brokers?  
This is the option for those who trust themselves to make the right decisions. Execution only services will usually be cheaper, although they may not necessarily offer better value for money.

The Fidelity Share Service charges a minimum £25 for deals up to £1,000. Up to £3,000 you pay £11 plus 1 per cent of the value of the deal. Above this, up to £50,000 you pay a flat £50.

■ What about the banks? Privatisations have inspired the banks to offer a competitive service. Some, like Barclays and Abbey National, are keen on further expansion. Others, including Midland, Lloyds and TSB, are happy with their current service.

These services tend to be used most for selling privatisation stocks, but they are definitely cheap. For example, postal sales at Abbey National cost £17.50 on deals up to £2,500, and decline for higher amounts. A telephone transaction costs a minimum of £24.50. ■ Can Personal Equity Plans help?  
Yes, particularly for beginners. They allow you to hold up to £5,000 in a mixture of shares, plus an additional £3,000 in one single company.

■ Tax is the advantage - a PEP is a tax-free pocket, where your shares can gain in value and pay out dividends without incurring any income or capital gains tax. However, if



shares held in a PEP drop in price, this loss cannot be offset against gains elsewhere in your portfolio.

■ PEPs' big drawback is the cost of administration. "Self-select" PEPs, where you deal as you want and have total discretion, are more attractive if you are prepared to make your own decisions.

■ How many shares are needed for a portfolio?  
Some would claim you might as well ask how long is a piece of string. Unless you have money you can afford to lose, it must make sense to diversify, and buy a number of different stocks. There is a slight opportunity cost here - it will tend to annihilate the gains of a stock market favourite - but you can now withstand disastrous collapses by one share.

Adequate diversification, at a level which justifies the

charges involved in buying the shares can be achieved with a portfolio of less than £25,000, according to Brian Tove of stockbrokers Greig Middleton. Assuming minimum dealing charges of £25 (good value), the effective minimum economic holding is £500. You reduce risk with every additional company you buy, but this falls off quite quickly. According to Tove, an adequate spread of risk can be achieved with eight companies. That makes a minimum feasible portfolio of £4,000. If you cannot spare this much, direct investment in equities is not for you.

■ What about investment trusts?  
Investment trusts solve the problem of finding a balanced portfolio, which is helpful if you are nervous about picking stocks. An investment trust company is incorporated and

quoted just like any other public company, but its sole business is to invest in other companies. This provides the broad spread. Theoretically, the trust's fund managers will outperform the market for you.

You can buy investment trusts in the same way you buy any other share, using a broker. Some trusts also have a "savings scheme" option, so you can dispense with the broker.

■ What about unit trusts?  
Unit trusts, like investment trusts, invest in shares, lowering risk by diversifying. But they also remove the risk that market sentiment will cause the price of the shares to fall, even if the underlying portfolio of shares rises.

Unit trusts are not quoted shares - they are just mutually held funds of shares. The value of your investment fluctuates automatically in accord with the value of the shares, but you will normally have to pay a front-end charge for administration of 5 per cent or more. One group (Murray Johnstone) has cut this to 1 per cent, but this is against the industry norm.

■ What if things go wrong?  
There are several avenues for complaint. The Securities and Futures Authority has a Complaints Bureau. Ultimate compensation should come from the Investors' Compensation Scheme, which aims to return the first £20,000 of your investment, plus 90 per cent of the next £20,000. Obtaining this is often a tortuous process.

This only guards you against malpractice by the broker. If a share crashes without trace, then tough. You bear this risk, and no intermediary can be held accountable for it.

## Planning for retirement

Reader Henry Edmunds explains how he built a portfolio

**A**BOUT six years ago, and shortly before I retired, a radical change of investment policy seemed desirable. The new circumstances required:

- Safety of capital.
- A regular and fixed income of about 8 per cent gross.
- That any growth of capital should be regarded as a bonus.
- A simple system which my wife would understand thoroughly. (This condition arose from seeing the almost total lack of investment experience in several newly-widowed women I knew. I wanted her to avoid such a handicap.)

As it happened, we had two separate portfolios, a mixture of equities, gilts, building society deposits and a few savings certificates. It was a bit of a jumble; some sort of order was required. After a good deal of thought, we came to the conclusion that gilts and high-class industrial debentures should be the major part of the new system. They would cover the income side of the policy. Any surplus cash should go into saving certificates which, if kept for five years, would show a safe but modest capital appreciation.

We made a start by listing the redemption dates of the gilts we had already, and the idea evolved that a 10-year cycle would suit our circumstances. Five years was too short for any worthwhile capital gains but 15 was looking too far ahead. So, we began running down our building society deposits, sold a few unpromising equities and used the cash to fill in the blank years.

The programme is now completed: the latest stock to mature (on September 1) will be E. Surrey Water 7 per cent Deb. 90/92, which was bought in October 1982 at 77½, and yielding 8.9 per cent. Closely behind will be Bass 3½ per cent Debenture 87/92, bought at 83 on 12 February 1988 but yielding only 4 per cent.

With more gilts being issued this summer to cover the huge PSBR, re-investing this cash, by buying stock to be redeemed in 2002, is likely to be easier. In 1988, we have two lots of 6 per cent funding coming to redemption. They were bought at 77 and 74, costing £11,800 but in a year's time will be worth £15,000. Looking at the combined portfolios, the overall difference between cost price and maturity value works out at 19.3 per cent; it is also accompanied by an 8.2 per cent dividend yield.

Occasionally, we had more than we wanted to invest in the appropriate gilt or debenture, and this is where savings certificates (ordinary and index-linked) came in handy. We are now beginning to reinvest those that are maturing. The capital profile of the two portfolios now stands as follows: 60 per cent gilts, debentures and loan stocks; 22 per cent savings certificates; 14 per cent bank and building society deposits; 4 per cent equities and investment trusts (Murray zero preference).

I have a jaundiced view of equities. For many years, I have taken between £2,000-4,000 annually in capital gains on short-term trading from a modest capital base. In the present financial year, though, my choice of Guardian Royal and Premier Oil could hardly have been worse. Welsh Water is, however, performing fairly well, and so is the Murray zero.

Nevertheless, I am quite pleased with the overall position, but future buying of fixed-interest stocks will be more difficult and probably less profitable. Gone are the sunny days of getting a discount of 20-30 per cent below par and still having an average dividend yield of 8.5 per cent.

Fortunately, buying gilts and savings certificates through National Savings has been a low-cost operation and so have most investment trusts, via the occasional lump sum arrangements.

## Diary of a Private Investor

## Beware the election euphoria

**A**S A private investor, I am pleased with the result of the UK general election. But the City's immediate euphoria - with the FT-SE 100 leaping 136.3 points on the day after the election - seems a bit too much too soon, bearing in mind the increasing troubles in eastern Europe, stock market, banking and property problems in Japan; and continuing unhappy economic trends in the US, UK and many other countries. I am certainly not rushing to buy shares at present prices.

At least the UK election campaign did not last long, and we should have political stability for the next few years, unlike the US where the presidential campaigns drag on into November with neither of the leading candidates having much to recommend him. Perhaps there will be a "late entrant" to the race who will command more widespread respect and support.

On the home front, what will the benefits be now the Conservatives are back? Take inheritance tax, for a start.

In the Budget, Chancellor Norman Lamont proposed important exemptions from IHT on certain shareholdings. For example, if someone dies owning more than 25 per cent of an unquoted or USM company, no IHT will be due on that holding. If he dies owning a controlling interest in a company quoted on the main market, or a holding of 25 per cent or less in an unquoted or USM company, there also will be a reduction in the IHT bill.

Legislation for these proposals was delayed because of the election. Presumably, the gov-

ernment will now seek to enact it as soon as possible. This means there will eventually be a number of elderly, wealthy people reducing their small minority investments in a wide range of companies (or reducing their cash piles) and investing instead in holdings of 25 per cent or more in certain companies in order to reduce their IHT bills.

If a private investor can spot the likely targets for such investments and buy shares before those wealthy folk do, then excellent profits could be made. The reason is that the shares would soon upwards when any such 25 per cent-plus deals were announced.

Of course, the shares might

then fall back over the years since the wealthy folk could be less inclined to divest (even if faced with declining dividends and lacklustre performance) because they wish to cling on to the inheritance tax advantages of their holdings.

Takeover activity should continue under a Conservative government and I shall try to discover new takeover targets. A government is only as good as its ministers, though. On that basis, John Major's administration looks highly promising. Michael Heseltine, as the new minister for trade and industry, has long been known for his support of small businesses and his wish to see big changes in parts of Britain's

infrastructure.

I am delighted with the arrival of Neil Hamilton and the other new faces at the Department of Trade and Industry. Hopefully, they can be persuaded to replace the costly bureaucratic City regulatory bodies with a single, cheaper, genuinely-independent body with teeth and engineering legislation and tax changes to allow and encourage direct investment in shares by private investors, rather than continuing to favour institutional and "manager-controlled" investments.

Kevin Goldstein-Jackson

## BEST RATES FOR YOUR MONEY

Account	Telephone	Notes/ Term	Minimum deposit	Rate %	Unit
<b>INVESTMENT A/Cs and BONDS (Gross)</b>					
Co-operative Bank	Paminder	0800 618162	Instant	£1 10.00%	Mly
Nottingham BS	Post Direct	0802 481444	Instant	£2,500 11.25%	Yly
Leeds & Holbeck BS	Albion Postal Acc	0532 438262	Instant	£50,000 11.80%	Yly
Scarborough BS	Premier Fds	0723 281105	1.832	£1,000 11.55%	Yly
Chelsea BS	Premier Acc 2nd	0800 272505	£1.184	£10,000 12.00%	Yly
Nellandside BS	Capital Bond	0781 894485	2 Year	£10,000 12.30%	Yly
<b>TESSAs (Tax Free)</b>					
Allied Trust Bank	Investment 90	071 628 0879	5 Year	£5,000 13.24%	Yly
National Counties BS	Key Extra	0332 742211	5 Year	£5,000 12.50%	Yly
Broad & Swindon BS	The Int'l Premier	0453 757071	5 Year	£100 12.00%	Qly
Exeter Bank	Guernsey Bond	0392 50835	5 Year	£250 12.00%	Qly
<b>HIGH INTEREST CHEQUE A/Cs (Gross)</b>					
Caledonian Bank	International Acc	081 555 8285	Instant	£1 10.00%	Yly
UDT	Key Extra	0734 580411	Instant	£1,000 9.80%	Qly
Chelsea BS	Prestige Cheque	0242 321391	Instant	£10,000 10.00%	Yly
Portman BS	Key Extra	0800 373176	Instant	£50,000 11.00%	Yly
<b>OFFSHORE ACCOUNTS (Gross)</b>					
Woolwich (Guernsey) Ltd	Investment 90	0481 715735	90 Day	£500 10.00%	Yly
Co-operative	Key Extra	0481 710527	180 Day	£25,000 10.75%	Yly
Yorkshire BS Guernsey	The Int'l Premier	0481 718898	6 Mths	£25,000 11.35%	Yly
Bristol & West Int'l Ltd	Key Extra	0481 720039	1 Year	£10,000 10.30%	Yly
C&G Channel Islands Ltd	Guernsey Bond	0481 715422	1 Year	£10,000 10.65%	Qly
<b>GUARANTEED INCOME BONDS (Net)</b>					
Consolidated Life FN		081 880 7153	1 Year	£2,000 8.85%	Yly
Financial Assurance FN		081 387 8000	2 Year	£5,000 8.45%	Yly
Prosperity Life FN		0800 621546	3 Year	£25,000 8.84%	Yly
Financial Assurance FN		081 387 8000	4 Year	£5,000 8.30%	Yly
Financial Assurance FN		081 387 8000	5 Year	£5,000 8.00%	Yly
<b>NAT SAVINGS A/Cs &amp; BONDS (Gross)</b>					
Investment A/C		1 Month	£5	9.50%	Yly
Income Bonds		3 Month	£2,000	10.25%	Mly
Capital Bonds C		5 Year	£100	11.50%	Qly
<b>NAT SAVINGS CERTIFICATES (Tax Free)</b>					
30th Issue		5 Year	£25	8.50%F	Qly
5th Index Linked		5 Year	£25	4.50%F	Qly
Childrens Bond F		5 Year	£25	11.84%	Qly

Co-operative Bank	0800 618162	Instant	£1	10.00%	Mly
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## TAYLOR WOODROW plc

## PRELIMINARY RESULTS

year ended 31st December 1991



Colin Parsons, Chairman, commented:

"The severe recession and a number of very difficult contracts have hit our profits and property values. Despite this we have added almost £100m to our investment portfolio which will increase our rental income from the 1991 level of £50m and provide a growing and secure income stream.

We have embarked upon a major attack on our overheads and our group resources are being committed to those core businesses where our strengths lie. With net gearing at 23 percent we have the financial strength in place for the recovery."

## PRELIMINARY RESULTS

(unaudited)

	1991	1990
Turnover	£1,394.5m	£1,411.6m
Profit before exceptional items and tax	£43.8m	£75.9m
Exceptional items	£(46.5)m	£7.5m
(Loss)/profit on ordinary activities before tax	£(2.7)m	£83.4m
(Loss)/earnings per share*	(1.4)p	16.2p
Dividends per share	9.5p	9.5p

**TAYLOR WOODROW**  
AAAA

CONSTRUCTION · HOUSING · PROPERTY · TRADING · WORLDWIDE

This statement does not constitute the audited statutory accounts for the year ended 31 December 1991, which will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The statutory accounts for 1990 on which the Auditors gave an unqualified report, have been delivered to the Registrar of Companies.

\*1990 after adjustment for the rights issue in 1991.

## Flat Fee

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## PERSPECTIVES/FOOD &amp; DRINK

# Novices who pay for a voyage into danger

Keith Wheatley on 120 sailors who will race around the world

THIS weekend, an extraordinary fleet of 10 ocean-going yachts will converge on the Solent and dock at Southampton. The 57th boats are big, powerful and conventional. The idea behind them is not. Volunteer crews, who signed up not knowing a halcyon from a half-nelson, have spent two years training to race these sleek cutters 28,000 miles around the world. There are 120 of these individuals. Each has raised £14,750 to pay for the trip, often through enormous sacrifice.

"It seemed like such a huge sum at the beginning," reflects Lisa Wood, a former deputy superintendent of the Royal Cambridge Home for Soldiers' Widows. "Now, I think about what value it's already been for me."

Wood, admitting cheerfully that she has already sold nearly all her possessions to pay for her berth, is a fundraising legend in the project. She once auctioned the spotlights off her Mini to pay for petrol to get to the next training course. The car itself has now gone.

From the outset, the British Steel Challenge was designed by its originator, Chay Blyth, to put the contestants back into yachting - and to do it for anyone with the courage to carve an adventure out of ordinary life.

Any resemblance to the Whitbread round-the-world race or the America's Cup is entirely accidental. Blyth has little time for the bronze gods who flit from regatta to regatta, milking sponsors of sums adjacent to the national debt.

"The more elite and exclusive they keep that end of sailing, the more we benefit," chuckles Blyth. "I'm not a snob, but I like to see the money go to the people who need it."

In fact, this ex-serviceman from 3 Para, who in 1968 rowed across the Atlantic, has more than a streak of leveler in him. Blyth is to be honest with John Major is to class warfare.

"I remember the first time I went to a yacht club - barriers all the way," he growls in a Scots accent untouched by received pronunciation. "I hate every second of yacht snobbery. It's not required."

Very few among the 120 volunteers have any previous sailing background. "The odd time I've been out on the Solent with friends, I've had the distinct feeling of walking into a club of which I was not a member," says Adrian Rayson, an expatriate agricultural consultant who works mainly in Nigeria.

The yachts will start from Southampton in September and race the global course in four legs, stopping at Rio de Janeiro, Robert and Cape

*I'd never sailed before but I knew if I didn't take the opportunity I'd regret it for the rest of my life*

picked. "Bloody marvellous people who just wanted to do something a wee bit different for a year or two," he says.

One particular story shows the year of untripped fire Blyth has found. Bill Vincent is a carpenter at Bath University, a gentle, placid man of 40 married to Pauline, a schoolteacher. They have two teenage sons. On a winter's night in 1988, he watched Blyth talk about the challenge on television. Saying only "I'd love to do that," Vincent went to bed, trying to sleep.

Next morning, a day off, he was unable to contain the itch. He instructed his son: "Tell your mum I've signed up to go to London to find Chay Blyth, and set off. He found sailing's Sweden at the Boat Show, handed over his £75 deposit and signed up. It was all the cash he had with him."

"On the 14th back to Bath, the reserves just light was on the whole way and I didn't have any money left for petrol," Vincent laughs. "I was so worried about running out, it took my mind off what my wife would think about it all." Like so many spouses, Pauline has backed him morally and financially 100 per cent.

Yet, for all the individual struggles to raise £15,000, the crew contributions would not even have paid for the 10 identical boats worth around £250,000 each. They were designed by David Thomas, father of the successful Sigma family of racer/cruisers, and built entirely of steel at the former Devonport dockyard in Plymouth.

Each one is identical in hull shape, weight, sails, layout and handling arrangements, ensuring that they will compete on an exactly level terms without handicapping. Seeing them alongside in the Prince William marina at Brixham last week, they looked a fleet for which any medieval prince would have given his daughters.

Not the least of their appeal was visual. Each of the hulls has a startling individual paint job reflecting a corporate sponsor. The backers range from Hoffmann Lager through Nuclear Electric to the Health Insurance group.

Blyth has an exceptional record in finding commercial support for his projects. At present, for instance, none of the dozen or so British groups hoping to compete in the Whitbread race starting in 18 months' time has found corporate support.

"I've never seen myself as a yachtsman," says Blyth. "What I'm good at is raising the money and giving the companies what they want. This is all about people, publicity and business. There's nothing new in any of it. Queen Isabella sponsored Columbus."

Nevertheless, one has a speaking feeling that Blyth - who says he would have shot himself if Labour had won the election - is engaged in a semi-altruistic redistribution of fun. Giving little people with big hearts a chance to do something extraordinary.

"We've spread the cost as far and as wide as possible," is the furthest he will go on this point, fearing for his bedroom cred. One crucial point is that no individual contribution is for more than about £250,000.

"These people who go about saying they need £5m for a yacht race have obviously never had to go and raise it," he snorts. "My motto is to only offer any company a deal they can accept."

Some of the sponsoring companies are also sending staff on the race as crew. Phil Streeter is an engineer who works in British Steel's stainless division in Sheffield. He'll be racing on the first leg.

"I'd never sailed before in my life but I knew that if I didn't take the



On the crest of a wave: volunteer sailors train for the British Steel Challenge

opportunity I'd regret it for the rest of my life," says Streeter, who had completed the London marathon the day before our meeting.

"I wouldn't say I'm frightened. The training has convinced me that there is no serious danger. Let's say I'm looking forward to it with nervous anticipation."

Each of the 10 yachts is skippered by a professional, recruited and paid by the challenge. Adrian Donnelly is running American charter yachts in the West Indies before taking charge of Heath Insurance. His background is in the merchant navy and sailing schools.

"I'm very keen on the seamanship aspect of what we're teaching the

crews. It's missing from such a lot of yachting now," Donnelly says. He also admitted that he is looking forward to the "chess game" between rival skippers as the race progresses. With equal boats and equipment, clever strategy and crew-work will make the difference.

And after the excitement of two years' preparation, the race, and all the media attention, comes re-entry to everyday life. The more thoughtful crew members are already a little concerned. Will Bill Vincent be able to return to sawing wood in Bath?

"I'm worried about how well I'll be able to fit back in," he admits. "I was so happy before. It was lovely - then this came along."

As They Say In Europe

## A very British carry-on

THE ROWS of papers on the news stand at Heathrow terminal 2 last Saturday gave food for thought. They offered the first reactions to John Major's election victory. All agreed it was the big story: not just *Le Monde* and *Die Welt*, which take an unusual interest in British affairs - there were also the *Neue Zürcher Zeitung*, *Die Presse* of Vienna, *El País* of Madrid and all the Italians. On the *Malev* flight to Budapest, I found a copy of the Hungarian socialist paper, *Nepszabadsag*, with the headline "Carry on Major!" This doubtless will instil in some British film producer the germ of an idea for a vulgar new oeuvre in the well-known tradition.

British readers may find this perfectly reasonable, but no continental election could give rise to the same excitement in the British press. That is why the supporters of proportional representation are making a great mistake. British elections are a marvellous sporting event, a two-man fight and a junior spoiler struggling on unpredictable terrain for victory in a winner-take-all battle, as the sports writers would say. The allocation of parliamentary seats (which bears little relationship to votes cast) and the personal nature of the contest all add to the fun - capped, this time, by the willingness of ordinary men and women to manipulate opinion polls ruthlessly.

In some ways, the most impressive account was in *Die Presse*. Its headline ran: "Historic victory against all odds." The chief commentator for this conservative daily, Thomas Chorberr, rattled off a 600-word celebration for the front page. "Europeans were given a multi-stage lesson in a fine English style yesterday. Politicians, the media, above all the pollsters, will take it to heart," he said. All the experts were in danger of digging themselves an ever-deeper grave and added: "The final spurt in the neck-and-neck race did not end in a photo finish but a significant victory..." He concluded as he had begun: "In fine English style in the Mother of Parliaments, pure parliamentarianism will once again be exercised as it should be."

Almost everybody delighted in the result, regardless of political affiliation. *El País* drew a picture of the voters quietly deciding against "uncertainty" in the "silence of the polling booths." *Le Monde's* heart, however, went out to Labour. "It is always difficult to lose, especially when having made concessions, within honourable limits, to the ideology of the enemy," the paper's cartoon showed a battered President Mitterrand saying to an equally damaged Chancellor Kohl: "I tell you, Helmut, the English never show solidarity."

The result in Scotland was also reported universally. The *Neue Zürcher Zeitung* said the Tories had been fighting for lost positions but had justified the "divide and rule" strategy. "They played the 'all-or-nothing' independence policy of the nationalists brilliantly against the middle way of devolution."

Nobody was able immediately to supply a coherent explanation for what had happened. The election over a surprise result meant that, for one day, there was a suspension of the disrespectful accounts of the state of Britain which provide much of the normal fodder for continental readers. This did not mean the reporters themselves were glad that the Conservatives had won; most had wanted a Labour victory because it would have provided good copy for weeks rather than a day.

On Friday, the news agencies and papers regrettably tore up profiles of the Labour leadership and whole pages were readjusted. Their earlier stories had all been based on the exit polls which had implied a hung parliament. That phrase produced some marvellous translations in half a dozen languages which never have to deal with anything but confused results. A British election provides a unique European political event: it is all over when the votes are counted.

James Morgan

James Morgan is economics correspondent of the BBC World Service.

Cookery/Philippa Davenport

## The last chicken in the pot

THE FIRST time I made stock using chicken wings, a few scraps of flesh fell from the bones on to the work surface while I was separating the liquid from the solids. I ate them absent-mindedly, more as a gesture of tidiness than in the spirit of inquiry.

I did not expect the meat to taste of anything. When a fine batch of chicken stock has been made, it is reasonable to assume that the bird has given up all its goodness and flavour to the liquid. The bones and flesh are spent, ready to throw away. But the meat from those chicken wings tasted of chicken.

I cannot pretend that this was chicken as you would cook it for eating - the texture was over-soft from prolonged simmering, the pieces were too small to be handsome, and the flavour was weak - but it was much better than expected. A colleague has suggested that cooling the chicken in the stock pot, as I do, allows some of the flavour to seep back into the flesh.

Encouraged by that first mouthful, I picked a few more slivers of chicken from the bones and used them at lunch-time, together with a little chopped parsley, to garnish a tureen of the rich, pure chicken stock. The broth was received so well that afterwards I freed the rest of the flesh from the bones, skin and gristle. Now, I always do.

I use 6-7 lb of chicken wings for every batch of stock I make, and you get 1½-2½ lb of flesh each time. This is the same amount of meat you will get from a 4 lb, oven-ready chicken. In these recessionary times, a saving like this is not to be overlooked.

Chicken broth garnish apart, how best can the salvaged meat be recycled? Because its flavour and texture are not of prime quality, it is important to partner the chicken with strong, fresh tastes and to provide a good contrast of textures. Here are three dishes that work well for me.

**CHICKEN CROQUETTES**  
This is an old-fashioned sort of dish but worth reviving. Deep-fried parsley and a fresh tomato salsa go well with it. Make a panada with 2 oz



each butter or chicken fat and flour, a scant ¼ pt rich chicken stock, and 3 to 4 tablespoons thick cream. Season the very thick sauce generously with salt, pepper and freshly-grated Parmesan or chopped capers.

When it is cold and set firm, beat in a good squeeze of lemon juice and some whole-grain mustard, and stir in ½ lb of cooked and finely chopped meat - all chicken, or a mixture of chicken and ham carved freshly from the bone. Scoop and roll the mixture into neat little sausage shapes. Dust with flour, egg-and-crumbs and fry until piping hot and crisp.

**CHICKEN BONNE FEMME**  
This is a soothingly pure and simple soup-cum-stew, made along the lines of waterzooie or water-soupy but without the

enrichment of eggs and cream usually added to Dutch-inspired dishes just before serving. Peel and cut into chunks one good-size potato and carrot per person. Sweat them for a few minutes in a little chicken fat or butter. Pour on just enough richly-flavoured chicken stock to cover the vegetables. Add a soupçon of tarragon and a few spoonfuls of chopped parsley. Cover with a lid and simmer until the vegetables are half-cooked.

Then add 1 or 2 thickly-sliced leeks and, finally, 3 or 4 oz cooked chicken meat per person. Simmer for another five minutes or so until the vegetables are tender and the chicken is thoroughly hot. Check seasoning and serve in soup plates, on its own, or scattered with diced croutons of fried bread.

**CHICKEN PIE WITH ONIONS**  
I have saved until last my number one choice for using chicken wings twice over. Serve the pie tepid, about half an hour after it emerges from the oven. Or, almost better, serve it cold, when it makes marvellous picnic food. First, simmer 1 lb roughly-chopped onions in ¼ pt rich

chicken stock until meltingly tender. Process the contents of the pan with a walnut of chicken fat or butter to make a soulish-like purée. Measure and top-up with extra stock as necessary to make 1 pt.

Stir in 5 oz of grated feta cheese and plenty of salt and pepper. Add two beaten eggs and mix gently with about 1 lb 10 oz of cooked and chopped chicken meat. If there is not enough chicken, make up the weight with eggs (hard-boiled and cut into wedges).

Pack the filling into a 10in pie-dish pan, lasagne tin or other shallow metal dish which has been lined with 3-4 layers of phyllo pastry and brushed lightly between layers with chicken fat or melted butter. Do not use a pottery dish as pottery is a poor conductor of heat and soggy pastry may result.

Cover with 7 or 8 more layers of phyllo, brushed with fat as before, and tuck in the ends of the pastry to make a neat, well-sealed parcel.

Brush with more fat, score the top decoratively, and bake the pie on a hot baking sheet at 375°F/190°C (gas mark 5), or just over, for 45 to 50 minutes until golden.

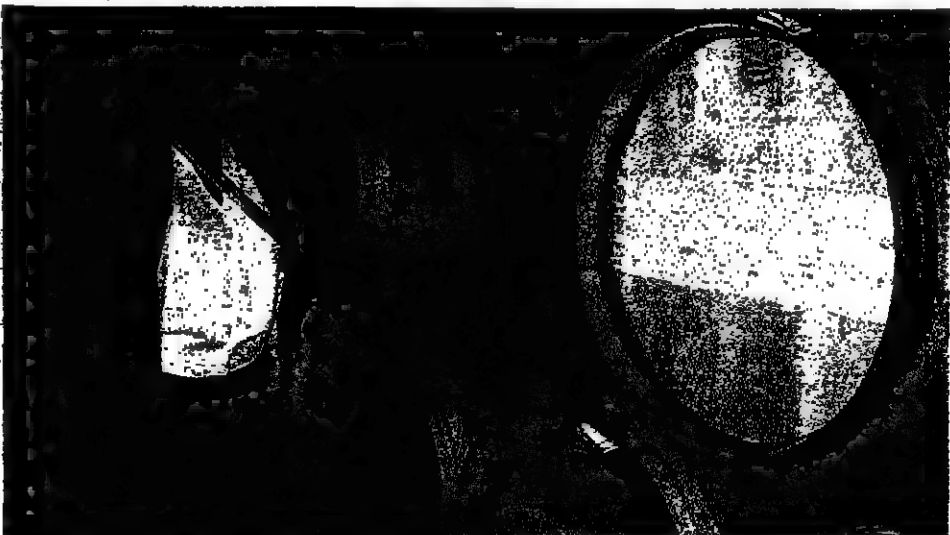
MY BORDEAUX broker friend had not even heard of Château Lilian-Ladouys. "Oh no, not another *crus bourgeois* having money lavished on it," he said, referring to Bordeaux's underclass of more than 200 châteaux officially ranked a notch below the 60-odd châteaux, or *crus*, classified in 1855. "All they do is prove there really is a difference between even the best *crus bourgeois* and the *crus classés*."

Perhaps he was thinking of Château Clarke, a *crus bourgeois* in Liscieux into which Swiss banker Baron Edmond de Rothschild has immersed his not inconsiderable personal income from the family's famous *crus classés* Château-Lafite-Rothschild - only to prove, some would say, that in terms of wine quality, if not geography, the Liscieux hinterland is very much more than 15 kilometres away from the peak of Pauillac.

The man who has decided to sink what he made out of electronic payment systems into an unglorious patch of St Estèphe presumably has other *crus bourgeois* in mind. Châteaux Monbrion, Sociando-Mallet, Haut-Marbuzet, Chasse-Spleen and, of course, Gloria can command - purely on the basis of the quality of wine produced - higher prices than the most lacklustre (although admittedly underperforming) *crus classés*.

Until 1980, Christian Thiéblot was based in Paris and was chairman of Sodimfor, a computer company that is now part of Paribas. He and his Swiss wife, Lilian, had already tried for two years to make a go of a wine property in the Bas-Médoc, the bonedocks of Bordeaux; but they realised that, to have any chance of making both an impact and a fine wine, they would have to invest in one of the Haut-Médoc's four famous *crus*: Margaux, St Julien, Pauillac or St Estèphe.

The chance to acquire 10 hectares (25 acres) of vineyard entitled to the appellation St Estèphe seemed too good to pass up and they decided to buy Château Ladouys in May 1989 without even seeing inside the rather handsome 18th century building. Because the property had belonged to the head of St Estèphe's relatively important co-op, where the Ladouys grapes were vinified, the property was effectively without winemaking equipment. "There wasn't even a



Sylvie Franchini, oenologist at Lilian-Ladouys, tests the wine

## This bourgeois star

Jancis Robinson visits Château Lilian-Ladouys

screwdriver - nothing" say the Thiéblots. But the co-op connection brought an unexpected bonus. The newcomers let it be known around the village that they would be happy to buy more vineyard. And since the Marquis de St Estèphe co-op had so many elderly members willing to swap hard weekend work for a tidy little nest egg, the Thiéblots were overwhelmed by vendors.

They now own about 50 hectares (125 acres) of mature vineyard, dotted about the commune, which makes Château Lilian-Ladouys one of St Estèphe's biggest properties. (Christian decided to add his wife's first name to the original name - perhaps more graceful than Château Ladouys-Thiéblot, which would have been the result of the more usual practice.) To the villagers of St Estèphe, Christian Thiéblot must seem like a fairy godfather. It must be a pity to live surrounded by new cars, house extensions and small businesses that you have financed personally.

The unexpected success of the Ladouys' expansion plan meant that the original architect's drawings have had to be revised dramatically. In the first summer, they had just two months in which to erect a working winery, and were rewarded with a miraculously rapid and successful 1989 vintage. They now have not just one vat room but two,

with more stainless steel than most *crus classés* and enough tasteful tiling to line every kitchen-diner in north London.

In the uplit cask hall, the barrels are scrubbed and stained with perfectionism reminiscent of Mouton. In the bottle store, the visitors are urged to take note of the quality of the bottles, the thickness of the paper in which they are wrapped, the quality of the wooden cases and the diversity of bottle sizes. What started as a mild pipedream has become a major gamble. Christian Thiéblot is staking FF110m (£11.38m) and says, calmly, that he expects to start making money - "about six per cent ROI" (return on investment) in 1994.

They have already shown they can make good wine. With Sylvie Franchini as oenologist, and other local technical expertise, they have produced a 1989 and 1990 that taste as though no expense was spared in the making of them: enormously ripe, spicy monsters with the tannins needed for a long life mainly smothered by the fruit.

They are certainly wines to change the minds of those who dismiss St Estèphe as hard and acid in youth, and have already been written up in both American and French wine magazines. The 1989 was recently voted top of a comparative tasting of 1989 *crus bourgeois* by *Decanter* magazine. But in a market awash with competently-made claret from

the two glorious 1989 and 1990 vintages, who will soak up the wine from this as yet unknown *crus bourgeois*?

This consideration may be behind the Thiéblots' avowed intent not to plunge into the general marketplace of Bordeaux merchants but to try to seek out specific importers instead. "We want, first of all, to sell to the British and the Belgians because they are the connoisseurs," says Thiéblot. "The French just say we are too expensive."

Do the French have a point? The Thiéblots' pricing policy is, to say the least, ambitious. They decided that to avoid disenchanting one sector of the market by raising prices once they had established themselves, they would put up their price before doing so. Accordingly, the opening price of the first 1989 vintage was FF57 (€5.90) - the same, presumably intentionally, as the much more established *crus bourgeois* Château Sociando-Mallet (which makes it about £12 a bottle from British merchants such as Winecellars of London SW16, 081-871-2688; and Summerlee Wines of Earls Barton, 0604-810489).

Aesthetics, posh tasting room, bilingual polychrome illustrated booklet, second label (Château Naudet), lunches at Taillevent for France's top wine writers - Christian Thiéblot has got the lot. Now all he needs is his ROI.

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## HOW TO SPEND IT

How does your garden grow? Lucia van der Post meets the professionals who can turn an urban wasteland into a blooming miracle



Randle Siddeley took just a month to transform his own average-sized London garden into a cool green oasis



## Sitting pretty

LAST TIME I reported on the activities of Julian Chichester and Richard Forwood activities it was to photograph the beautiful antique beds that they were bringing in to the UK from Burma. Supplies of antique Burmese beds having run out the pair have now moved on to Vietnam, where they make some sturdy English-looking garden furniture.

They make sure they buy all their teak from plantations where it is replenished as it is used - no primeval forests have been chopped up for this range; Vietnam has been making great attempts at reforestation and in the late 1980s planted some 500m trees on a shoestring budget.

The designs are based on 18th and 19th century pattern books and designs by Chippendale, Hepplewhite, Sheraton and J.P. White (who designed in the Lutyns/Gertrude Jekyll mode).

Prices range from £149 for a dining chair and go up to £540 for the most complicated bench. The bench photographed right is called The Leighton and sells for £465.

For a free catalogue write to Julian Chichester Designs, 202 Daves Road, London SW6 7RQ.

For an appointment to see the designs in the warehouse ring 071-881-0943.



## The green-fingered gurus



Even narrow, unpromising sites can be made beautiful

IN ANY town in Britain a garden is a precious asset. No matter how small, or how apparently dingy, it is worth taking trouble over. Quite apart from the pleasure of sitting in it on the few balmy summer days, a garden can also be a year-long visual delight. Our own patch is small enough but from the kitchen window I see it day in and day out, and even in winter the trees beyond it, the birds, the foliage in the containers and the climbers are an endless source of interest.

However, few of us do as much with our little patches as we could. The smaller the garden, the more carefully it needs to be thought about, and although landscape architects have a vested interest in wittering on about how much houseowners are prepared to spend on their kitchens and how little on their gardens, they do have a point.

Putting a garden in order can actually cost surprisingly little, particularly when compared with the vast amounts some of the so-called luxury kitchens are prone to run into. For instance, a designer like Jane Easton (117 Cherwell Road, London NW5, tel: 071-492-3322) will do anything from discussing a new planting scheme to a complete redesign.

She loves gardens to look "old" and has devised ways and means of making even the

newest garden look as if it had been blooming for years. She believes in putting in a few fairly mature shrubs as focal points, mixing them in with a few annuals, lots of lilies and then a few perennials as well. She could supply a new planting scheme for a small London garden for between £100 and £160 - anything requiring building work would obviously cost a good deal more.

London-based landscape designer Randle Siddeley is very used to creating a garden from scratch - fast. He will do anything from a windowbox to corporate schemes and everything in between. He has a great deal of experience of urban gardening and seems to conjure greenery and verdant pleasures out of the most unpromising sites - like the narrow strip of space photographed here, for which he was merely asked "to do something." As you can see it looks quite magical - trellis is a speciality of his and he has used it here to give definition to the space as well as support for the climbers. The well-planted containers complete the scheme.

For a smallish urban garden he reckons that a sum of between £5,000 and £10,000 really would make a difference to the way you use your garden and the pleasure you get out of it.

"If necessary I can transform a site in a couple of weeks although, of course, it is nicer

to have more time if possible. I did a small show garden in a new development and that had to be done in just seven days - it is amazing what can be done. We put some steps in, a brick border and some turfing as well as some trellis. That cost £4,500."

To show just what can be done we looked at his own average-sized L-shaped London garden, photographed above. It is a perfect example of the sort of scheme he can do in a very short time and for about the cost of a very average kitchen. The whole project cost £3,500 (including building works, design fees, plants and labour) and was completed within a month.

He and his wife Eiki McDonogh, the fashionable London jeweller, bought the house just a year ago and "though it had been owned by a keen gardener it had become an overgrown jungle. It was a com-

plete mess and had raised planters all the way round, which sadly I personally hate. I wanted a cottage garden, enclosed for privacy and comfort and one that would seem like an extension to one's living area, another room, if you like, where we could have dinner on a summer evening.

"I used York stone, which I love, and brick margins to define the geometric shapes. The diamond pattern of the York stone floor is repeated in the trellis, which I also love."

"I'm also personally very fond of water, so there is a cascade, a water feature which pumps itself around and bubbles in from underneath and cascades over a small weir. I like the sound of water and it's particularly attractive at night. A water feature, of course, adds to the cost. It must be properly done with good walls, a tank and proper pipe work, but I think it is well worth it."

"We used mature plants in order to give us instant pleasure. In each area I have controlled the colour - I love using just white with dark green foliage, or at the moment there are the evergreen shrubs, underplanted with red pansies and tulips, and in another area there is a yellow corner with yellow tulips coming up."

"It took about a month to put the architectural bones of the garden together and last July we planted it up - we used lots of relatively established climbers, mainly about 8 ft high when they went in, a mix of roses, clematis and jasmine as well as shrubs."

"I think most people don't think enough about lighting. A garden should be used at all

times and if you light it properly it is magical at night, too. I don't believe in floodlights but like to uplight certain parts of the garden subtly. An uplighter in front of a tree in the winter accentuates the branches and in the summer highlights the leaves and makes the garden look bigger."

"For my own garden I used the experts, The Garden Lighting Company, at Argon Court, Hook Rise, South, Tolworth KT8 7LD. Tel: 081-874-2211."

A Siddeley Landscapes is at 3 Palmerston Way, Harelock Terrace, London SW9 4AS. Tel: 071-827-4044. Anybody going to the Chelsea Flower Show should look out for a Mediterranean Garden that he has created for The Sunday Times.

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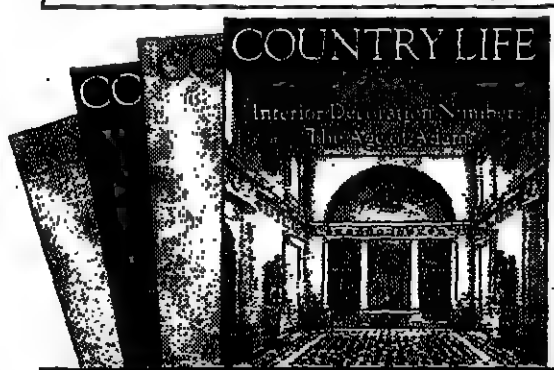
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## SPORT

## Tennis

## Biff, bash, match — crisis

Tennis faces a power struggle. John Barrett considers the possible solutions

ONE OF the basic rules of marketing is to heed the views of the customer. Whether you are selling soap in supermarkets or seats in sports stadia, the customer's satisfaction must be your first concern.

So what do tennis fans think about the problem of service dominance in the men's game on fast surfaces? Here is one view.

"To see the real art of the game, one must watch it on relatively slow hard courts where the mere possession of a fast service and expert volleying technique rarely suffices to overcome a deficiency of ground stroke play." Quite so.

What, then, do spectators think should be done to curb the power of the server without changing the basic characteristics of the game? Here are two constructive suggestions from readers:

"Experiments have been carried out in France with a shortened service court. Could not the same effect be obtained by having a server's line drawn behind the baseline... this would have the added advantage of making it more difficult for the server to get to the net."

"There are many who think the most effective answer to the present undue dominance of service power would be a softer ball."

Sensible proposals, you will probably think. It might surprise you to know that the above extracts are all from letters addressed to *Lawn Tennis and Badminton* magazine in 1956. Yes, even 34 years ago there was an awareness among keen tennis fans that power was threatening to diminish spectator enjoyment by

reducing the number of rallies.

Yet the "villains" of 1956 — men like Wimbledon finalists Ashley Cooper and Neale Fraser of Australia, both strong serve-and-volleyers — were babes by comparison with the modern power brokers like Goran Ivanisevic, Boris Becker, Michael Stich and Richard Krajicek.

Why? In a word, technology. The modern tennis racket has about as much in common with the old wooden-framed models (which were the game's only implements for more than 100 years) as Concorde does with the Tiger Moth. Instead of introducing a rule to retain wood as the only allowable material, as cricket and baseball did when threatened with aluminium bats, the International Tennis Federation simply sat still and watched while technology ran riot.

With hindsight, they wish now that they had acted back in the 1960s when first the Spalding Smasher (as used by Pancho Gonzales to beat Charlie Pasarell in that epic Wimbledon Centre Court duel in 1968), and then the Wilson T2000 (which Ann Jones used to win her Wimbledon singles title the same year), started the avalanche.

Technology has come a long way since then. Incorporating space-age materials and computer-generated aerodynamic design features, today's wide-bodied weapons — made of graphite and boron, Kevlar, titanium and ceramics — deliver up to 32 per cent more power than the old wooden frames. Laboratory tests show that a wooden racket swung at 62 mph by an average strong male would deliver a serve at 86 mph. Because of improved air-flow

design, the same player could swing a modern wide-bodied frame at 76 mph and thump down his serve at 114 mph.

Of course, today's super athletes are far stronger than average, and getting taller. In 1973, only four of the top 10 ranked men were over 6ft tall. By 1983, there were six; last year, nine. These giants regularly deliver their serves at up to 130 mph. At that speed, the reaction time for the receiver — from the moment the ball is struck to the moment it hits the court — is just 0.3 of a second. On a fast surface like grass or indoor carpet, there is no time to think. Instant reaction is the only hope.

Furthermore, the "sweet spot," or effective hitting area, on today's oversize rackets is six times larger than on a wooden racket, so that the game really is easier to play than it used to be. Wonderful news, this, for the club enthusiast; but is the increased margin of error really necessary for the professional player who, by definition, should be able to middle the ball all the time — a point that Jimmy Connors is always making?

All that we have done is to reduce the premium on skill. Average players have become good; good players have become great; and the truly great performer with touch and flair, like Ilie Nastase, has been killed off, unable to live at the pace set by today's young gladiators.

On fast courts, therefore, the men's game has become one-dimensional. Two-stroke tennis has become a boring reality. In Stuttgart the other week, young Ivanisevic delivered 106 aces during his

winning run, including 32 in the final against Stefan Edberg. It was not much of a spectacle for the poor spectator.

And I do not have to remind you that the same unfortunate Edberg was beaten in last year's Wimbledon semi-final by Michael Stich's overpowering game without ever losing his own service. That was another of those one-dimensional matches with few rallies.

It is not only a service problem. Those spectacular forehand and backhand winners from the likes of Andre Agassi are equally responsible for reducing the length of rallies. They would have been impossible to play with a wooden racket.

The male players themselves are conscious of the need to take action before boredom turns away the fans or, perish the thought, encourages them to watch women's matches instead. For it is undeniably true that modern racket technology has improved the women's game by making it possible for them to serve better and hit early winners, so reducing the number of long, boring rallies.

What, if anything, can be done? Some interesting suggestions emerged from the ATP forum I attended recently in Florida. There are two main options. You can either tinker with the rules or put limits on equipment — or effect a combination of both.

To inhibit the server, the height of the net could be raised, the service court shortened, a server's line introduced behind the baseline, the foot fault rule reintroduced, or the server allowed only one serve. The problem here is that all changes to



**POWER-PLAY:** Michael Stich of Germany, the Wimbledon title-holder. Stich can serve at 124 mph or more. Last year he won 87 per cent of his service games. With faster serves and more aces, modern pro tennis is producing a dwindling amount of action per hour's match time. To make tennis watchable again, tough action by the game's administrators is probably overdue.

rackets (no major manufacturer any longer produces them), it would be easy to define a head size near to the 78 square inches of the traditional wooden frame as well as insisting on a similar flex.

It is the stiffness in the modern frame that is the basis of its power. A move in this direction would tackle the problem at its source, whereas tinkering with the rules deals only with the symptoms.

I see no difficulty in legislating only for men. There are plenty of precedents in sport where men and women use equipment with different specifications so as to recognise differences in physique. A woman does not throw as heavy a discus, javelin or shot as the male athlete, nor are the hurdles she traverses as high.

However, I can foresee a torrent of protest from players whose advantage would be reduced and from manufacturers whose whole marketing thrust has been built around the merits of power. Yet I would remind the players that, regardless of racket size or material, the bigger, stronger athletes have always been the best servers. That would still be true with smaller-headed frames of increased flex.

But, crucially, the premium on skill would also be restored so that a future Nastase or McEnroe could once again emerge to pit his wits against the men of power. We might even see rallies again!

That is what the paying public wants to see. The game will ignore that message at its peril.

## Golf/John Hopkins

## The making of Fred Moneybags

NINE YEARS ago, on one of his earliest forays on the US tour, Nick Faldo found himself paired in the Greater Greensboro Open in North Carolina with a young man named Fred Couples. Couples was 23 and in his third season as a pro. Faldo was outdriven and outplayed but, since it was one of his first tournaments of the year, he was not unduly worried.

"What is this Fred Couples like?" Faldo was asked after he had completed his round. "He is the strongest silent type," Faldo replied. "He does not say much and he hits the ball miles." As an afterthought, Faldo added: "Oh yes, and he looks just like Elliott in the film *27*."

Couples, the new US Masters champion, has not changed much since then. His backswing remains long although his hair is a little shorter; he looks like Elliott 10

years on. He is uncomfortable at being the centre of attention and hates telephones. "I will not answer the phone," he says. "There may be someone on the other end." And he does not read much. "I don't know how," he says, only half joking.

Couples could probably afford to pay someone to read to him. He has won more money in a shorter time than anyone else in golf — more than \$560,000 since January 1.

In spite of this, he is one of the least affected of men, quietly-spoken, unassuming, self-effacing. He is the sort of fellow who loses his car keys, forgets to enter tour-

naments, turns up on the wrong day, leaves his passport at home. In 1980 Couples, then an amateur, entered a tournament in California. When he was told that the tournament was limited to pros, he turned pro on the spot.

Someone once said that behind every successful man is a woman. Behind Fred Couples is Debbie, an accomplished polo player who owns and trains ponies, collects antiques, owns and runs an antique business and, in addition, provides the impetus to keep her husband on his toes.

"She is Fred's spark plug," says Couples' former caddy. "He was sit-

ting around on a couch watching soaps on TV," Debbie said once, explaining her role in her husband's success. "I told him he had to get motivated. I decided he was the horse to put our money on."

You listen to what Debbie says, just as you cannot ignore her. She is a striking blonde who wears big hats and short skirts and is prone to giving wolf whistles when Fred birdies a hole. Even in a country where making a lot of noise is normal and acceptable, her whistles and cheers are exceptional.

The staid world of golf was shaken by the way she celebrated

her husband's first tournament victory. After he had holed the winning putt, she raced on to the green and jumped up, her arms around his neck, her legs around his waist. Officials at the Masters were terrified at what she might do if Fred won last Sunday.

Their tournament is a model of decorum, or so they like to think. The Masters is where guards stop you running and a television commentator was banned — not by his network but by club officials after he had referred to a section of the spectators as a mob. Men in green jackets took Debbie to one side and

warned her against any out-of-the-ordinary behaviour.

Golf's appeal to the marketing fraternity is demonstrated by a deal struck between Couples and a golf manufacturer named Lynx. Couples, the player of the moment after outstanding performances in last year's Ryder Cup and winning the world championship in Jamaica last December, was signed by Lynx earlier this year. He would receive \$280,000 annually for four years from the club manufacturer in return for using its clubs. Nice money for Couples.

Last month, Couples found a rich vein of form, finishing first in two tournaments and second in two others. In those four televised tournaments he wore a visor, golf bag, glove and umbrella all bearing the name Lynx, as well as using Lynx clubs. The amount of exposure on TV he and his Lynx products

received was nearly six minutes. Had Lynx been forced to buy a similar amount of advertising time, it would have cost an estimated \$273,941.

Couples can do no wrong at present. Another one of his endorsements is with Ashworth, a clothes manufacturer. In 1987, when Couples was a par five away from success, Ashworth's sales were barely \$800,000 annually. Now, with Couples riding high, they total \$10m.

Couples has become the sweetheart of US golf. He has come through the torment of hitting a nine iron 30 yards wide of the 18th green, in the 1988 Ryder Cup and thus losing to Christy O'Connor Jr. The signs are that he could become the best American since Tom Watson at his peak 10 years ago. If he does, Debbie Couples will be behind him, whistling and cheering every step of the way.

## Motoring/Stuart Marshall

## Same glass — but double the cost

WHAT does it cost to have a Lotus Elex windscreen replaced? The answer is that it depends who does it. If you call in an instant-fit specialist, it is £333. If you give the job to a Lotus dealer, it can be nearly twice as much.

When Elex owner John Field discovered a small stone chip in his screen, he decided to have it replaced before it became an extensive crack. So he called National Windscreen. Before quoting a price, National asked for the Elex's chassis number. It explained that as only official Lotus sealing strips would be used,

the car had to be identified precisely.

Field thought National's £333 quote reasonable. But he decided that as the car was due for a service, his Lotus dealer might as well replace the screen while the car was in the workshop. He was so surprised to get a £630.33 bill for fitting the screen that he wrote to me: "It just seems that the Lotus figure is excessive. My insur-

ance company will pay, but is this one reason for the great increase in premiums?"

I put the point to Lotus. Senior executive Colin Gething considered the dealer's price was right for both parts and labour. Why could National fit an identical screen at half the price? According to Gething, it was not comparing like with like. When replacing an Elex's screen, National did not fit

new weather strips to the A-posts (windscreen pillars) as Lotus recommended.

Could this really account for the charge being virtually twice as high? Apparently, yes. By Lotus's calculation, not replacing the A-post strips had saved National about £50 in parts plus three hours' labour. Gething explained that Lotus dealers set their own labour charges, which varied from one

to another and took account of the level of service given.

Those who collected and delivered cars for servicing, and provided loan vehicles, charged more than those who did not. That is fair enough. But assume a dealer charged £50 an hour. Three hours spent fitting £50 worth of A-post weather strips accounts for £200 on top of National's £333 quote, making £533. (Field's windscreen

replacement bill, remember, was £100 more than that.)

David Scott, technical services manager of National Windscreen, shed some light on the matter. His firm replaces several hundred thousand front and rear screens and side windows every year. Like most modern cars, a Lotus Elex's screen is bonded in place. Some trim items have to be replaced as a matter of course. Others can sometimes be re-used, depending on the state of the car; National leaves the decision to the skilled fitter doing the job.

"We work with the insurance companies. We try to save money by only replacing what we know to be essential," Scott said. "All our work is covered by a 12-month warranty." Did this include water leakage? I wondered. "Of course."

The years of experience accumulated by National Windscreen and other specialists like Autoglass has been recognised by the insurance companies. Many now recommend their policyholders to use them instead of franchised car dealers for glass replacement. People like John Field will understand why.

I would always go to a specialist. The last franchised dealer I asked to replace a broken screen wanted five days to get the new one — and his quote was nearly twice as high as that of an instant-fit specialist who installed one that afternoon in my own drive.

It is not unknown for some franchised garages — I am not referring to Field's Lotus

dealer — to get screen replacement specialists to do the job, anyway. The trend started long ago with tyres. A garage, asked by a customer to fit a new set while a car is being serviced, simply sends it round to the local specialist. It is good business: the work is done at trade price and the customer is charged retail.

The Consumers' Association's magazine, *Which?*, reported recently on the replacement exhaust business. It gave one of the biggest and most successful chains a hard time over allegedly recommending unnecessary work. But it admitted that prices charged at instant-fit outlets were far lower than at franchised garages.

To be fair, many franchised dealers have launched competitive instant-fit operations of their own covering tyres, batteries, exhausts and servicing. The tyre, battery and exhaust specialists have riposted by moving into servicing and clutch and brake replacement.

Once most straightforward, family-type cars are out of the manufacturer's warranty, it is no longer essential to have them serviced by a franchised dealer. Shopping around for routine servicing can save time and money. It is no different from getting several quotes for painting a house, building an extension or buying new tyres.

Servicing, particularly of sophisticated cars, can be very expensive. The high cost is worrying the leasing and contract hire companies; indeed, Stan Thompson, treasurer of

the British Vehicle Rental and Leasing Association, complains: "The cost of maintenance is going through the roof." He suspects bills are being loaded by small extra jobs, sometimes unnecessary.

"Because of the difficulty of checking these smaller items, a £250 job becomes a £300 or £350 job. I feel we are being taken for a ride," Thompson adds. The association's official journal cites a contract for a company's bill for £4,000 from a franchised dealer for repairing two executive cars. When they were inspected by the company's technical director, one car was found to have needed a £60 repair and the other a repair costing £100.

What can the private motorist do? While a car is under warranty, take it to a known and trusted franchised dealer. When parts have been replaced, ask for the original ones to be put in a plastic bag in the boot. Some garages, especially on the Continent, do this automatically.

And when the car is out of warranty, look for best buys in servicing as you would for anything else.

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## GARDENING

## Under Granada's enduring spell

IN SPAIN, it is a Fifth Century year, but there is more to 1492 than Christopher Columbus. Five hundred years ago, he did indeed sail from Spain to America, believing that he was heading to Asia by a back route. He was not, however, the only important event of the year.

A few months before, Islamic rule had lost its last seat in Europe: the city of Granada was surrendered to the Christian Catholic monarchy of the new rising stars, Ferdinand and Isabella. "We must adopt the Moslems' works of charity," advised the first Christian archbishop of Granada, "and they must adopt our faith." No sooner had the last Moslem marginal been recaptured than the victors rounded on the third party: in 1492, triumphing Christians savaged the Jews.

It all makes for a fitting Fifth Century, the more you look at it. First, victory — then, intolerance. The economy, meanwhile, was about to be rescued from the New World by a man who had no idea what he was doing and had actually lost his way.

There is also a horticultural story to tell. On the hills of that same Granada stand not one, but two, of the world's great gardens, with a third nursery garden of flowers and shrubs across the hills between them. Their history is one of changing masters, from Moslems through Christians to modern Spaniards.

Their origins go back to the last of the Islamic dynasties in southern Spain, the Nasrid sultans of the 13th century. Of the two, the Alhambra is older and more famous, although many of its smaller patio gardens and intricate formal hedging are much later additions to the original. None the less, we can still derive an idea of the Moslems' taste from the Alhambra's famous Court of the Lions and Court of Myrtles. In the former, excavations have shown that the central paths originally were raised above four lower flower beds to show off a carpet of blossom which the sultans viewed from

above. Twelve stone lions, as we can only see, pointed water into an "irrigating" canal among a series of flower beds.

In the Court of Myrtles, a broad canal of water ran up to a neat, circular conclusion, just as we still see it. Probably, it was flanked even then by the evergreen hedging and cypress which we still enjoy.

The fascination of the Alhambra is its particular use of light, inscription and architectural decoration. The gardens are fine, but I never think that they compete with those in the Generalife garden, which was begun in the 1390s as a small summer residence for the Moslem governors. There are two derivations of the Arabic name — "garden of the architect" or "noblest of gardens" — and I like to think that it is a tribute to both.

Here, too, the garden has a link with its first historic plan which goes back way before 1492 to its Islamic phase. In 1958, archaeologists found the bones of the original Islamic garden beneath the Generalife's present Courtyard of the Fountains. Its plan was not so different from the one which we now see, but like so many Islamic gardens, it was divided into four symbolic sections. This pattern is now known all over the Islamic world, from Spain to Afghanistan.

In the centre stood a garden pavilion, spanning the point where the water canals met. A Moorish poet of Granada describes a similar design in the 14th century, "deserve for private conversation but open to the approach of inquisitive visitors." Perhaps it was covered already with jasmine and other climbing plants.

These early Islamic gardens were planned for sitting and conversing among the light and shade of evergreen trees, the scent of roses and climbing plants, and the constant play of water. And it is fascinating that so little has changed in the style of Mediterranean gardening across the centuries. Subsequent masters added Italian and French style, more box hedging and latticework, in Span-

ish hands, some bright bedding flowers and truly awful garden lights (a final petio flourish, much of which could need to be reversed in honour of the Fifth Century).

Once, Moorish summer-houses stretched right up the Generalife's hill and led to the romantic House of the Bride. We have lost them all, along with the pavilion which stood at the meeting point of the garden's four canals. But other features continue, and you can see behind modernity to a

loved in the gardens of this region under Moslem rule in the 14th century. Since then, some awful xinnias have intruded, but there have also been gains from discoveries in the Far East which Moslems never imagined.

This very week, the Generalife is the site of a marvelous curtain of white Banksian roses and cascades of pale purple, scented wisteria. It would take only the smallest discipline and artistic exercise to banish some of the accompanying modern Spanish rubbish and transform the place into a Sittinghurst of southern Europe. Nightingales still sing in the myrtles of the garden's upper terraces, while plaster busts of classical figures look across from the highest terrace to the soft pink stone of the Alhambra's outer walls.

In this anniversary year, it is the continuity which continues to impress me. When Arabs first came out of their peninsula into Syria in the 7th century, they had not a clue about proper gardens — let alone the natural, springtime olives and blood-red anemones of Syria; the doves and quinces of Iran; or the wild tulips and irises which stretched through southern Asia and north Africa.

In the Koran, their prophet had pictured gardens in heaven only, thick with grapes

and fruits; his heirs now found natural gardens all around them in landscapes which Mohammed had never imagined. They were not slow to take to the Mediterranean's natural lessons. There are early reports of huge acts of terracing and transporting as Arab patrons shipped garden plants from one end of the Mediterranean to the other. They fell naturally into a style of greenery, intimacy and water: nowhere seemed more perfect for it than the plains around Granada.

During six centuries since, four other cultures have imposed themselves on the two Granada gardens, the Islamic rulers' one surviving monument in this field. In spirit, almost all of them have been striving for a similar effect, although empires and national labels have changed around them with the centuries.

The two great gardens of Granada need no single century to make the point. "Granada," wrote the finest of the Arabic poets in the city's golden age, "is a bride whose crown is the Alhambra, whose jewels are flowers, whose throne is the Generalife, whose mirror is the surface of its pools, and whose earrings are the drops of frost."

After five centuries and more, that picture is still recognisable.

**Robin Lane Fox discovers that the earthy legacy of Islam rivals the voyage of Columbus as a monument in the history of Spain**

chosen which makes you happy to "enough" in life of retirement, say the sultan's gaze on the hill.

In the Generalife, the great leisure pavilions remain and their Islamic decoration and inscriptions are unimpaired. They look down the one surviving canal of water from the likely original design and stand beneath one of the loveliest features on the site. A stone staircase runs down from the highest terrace in the garden, but its handrail is made as a channel for a falling and constantly-moving stream

claimed the planting. We know something about the flowers of Spanish gardens in the 14th century from Arabic books and poems and a calendar of the seasons, as described in the nearby city of Cordova. Spanish gardeners since 1900 have done most of the planning which we now see in the Generalife, but much of it would not have seemed odd to its old inhabitants.

Cypress, myrtle, blue iris, jasmine, red roses, thyme and narcissus are but a few of the flowers known to have been



Part of the Generalife garden, a monument to medieval Islam

## The plot thickens

THE book *Vegetable Garden Display* has been in print for 50 years, having been first published in 1941 as a part of the Dig for Victory campaign during World War Two. It was then written by staff of the Royal Horticultural Society, all experts in vegetable growing, control of pests and diseases, management of soil, manures and fertilisers and other matters.

It was an enormous success — as befitted its excellence — and sold more than 150,000 copies in its first year. It has been reprinted many times and been through a number of revisions, the biggest change coming in 1981 when it was

completely re-written by Joy Larkcom, a leading specialist in all matters relating to the cultivation of vegetables in the home garden and allotment.

It was, perhaps, a tacit acknowledgment that, authoritative though the RHS staff were and still are, their general training tended to be towards large gardens and that Larkcom better represented the needs of the majority of modern home gardeners. The result was excellent, and the *Vegetable Garden Display* strengthened its position as the favourite book on this subject. It has not at any time been especially concerned with the cultivation of vegetables for exhibition, but that characteristic has been strengthened, for her insistence on quality for home consumption is well known.

Now it is time for a jubilee edition. Not only is Larkcom back as the author but now her name is fully displayed on a handsome four-colour cover. It is published by the Royal Horticultural Society and is distributed, price £10.95, by Batsford. For the first time it is illustrated in colour throughout and I consider it excellent value for money.

The book has 160 pages, 12 more than last time, and the contents fall into two nearly equal sections. An initial 50 pages deal with tools, soils and the improvement or maintenance of fertility by means of cultivation, the use of com-

posts, manures and fertilisers, methods of arranging crops, planning for continuity of cropping, sowing techniques, planting in containers, watering, weed control, protected cropping, storage for winter and dealing with pests and diseases including a section on organic remedies.

The rest mostly consists of a straightforward description of vegetables in alphabetical order with exhaustive descriptions of the way in which each is grown. There is an easy to follow month-by-month reminder of work in the vegetable garden, a list of books for further reading, plus the names and addresses of useful organisations and a comprehensive index.

I find the whole book so admirable that I hesitate to pick out any items for special mention, but because it is still fairly novel, I think many buyers will find the section on the bed system of cultivation with special interest.

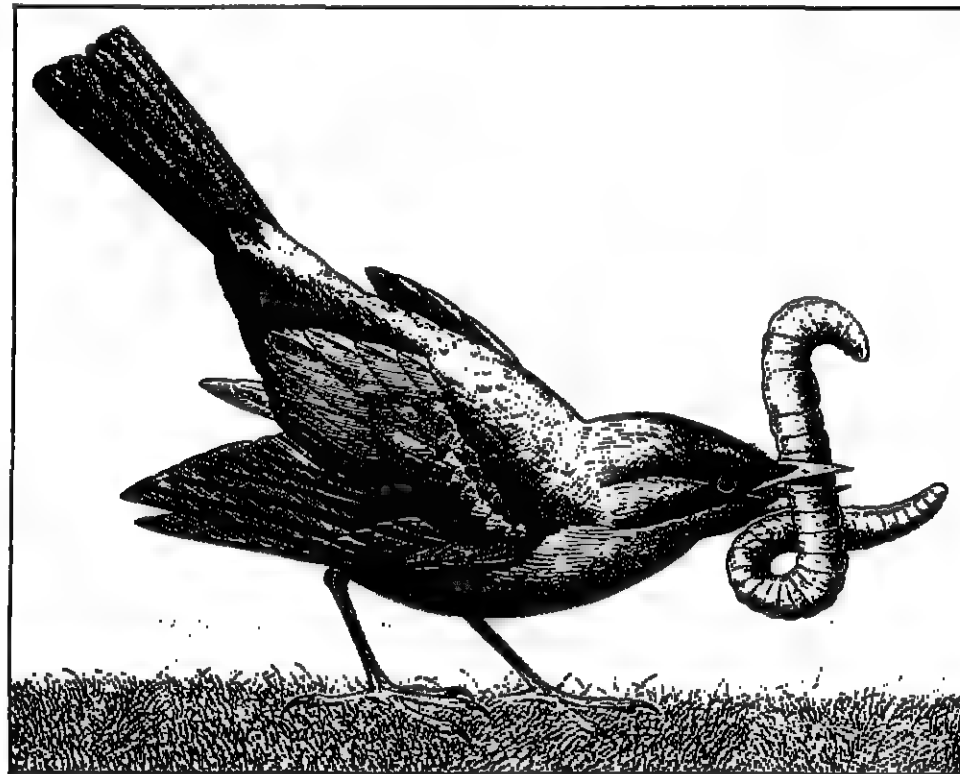
This takes the place of the conventional vegetable garden and consists of a fairly wide bed with long rows running across it, often as much as 30 ft long and spaced a foot or more apart. In these the vegetables are spaced out. One can walk along these rows to sow, plant, thin, hoe and eventually harvest the plants.

Using Joy Larkcom's words, in this system the vegetable garden is divided into a number of narrow beds, generally separated by permanent paths. Most plants are grown at equidistant spacing across the bed rather than in widely spaced rows. Since all the work is done from the paths there is little need to tread on the soil, which damages soil structure.

Only those areas where vegetables will be grown need to be dug and the beds tend to become more rather than less fertile due to concentration of food and preservation of soil structure. Roots penetrate more deeply, so plants can withstand drought better.

There are several variations to the raised bed system including beds that are permanently raised above ground level by as much as 12 in, which results in better drainage; and faster soil warming. The tops of these beds are sometimes rounded to give an increased surface area. Larkcom describes beds in the Golden Acre Park at Leeds which are edged with one railway sleeper on one side and two on the other, so the beds can be converted into frames.

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## TRAVEL

# Journey by Batty Bus to whimsical Belize

Nicholas Woodsworth finds the easy-going ways of the Belizean reefs and cays entirely to his liking

**P**ORING OVER the pages of an atlas not long ago, I came across a country that I immediately wanted to visit for no reason other than its name. It is a tiny place, not much more than a spot on the map, but its names filled my imagination.

Only a complete cynic could fail to see happy portents in the likes of Bound To Shine and More Tomorrow. But what of ominous places like Pull-Trouser Swamp, Burnt House, Go To Hell Camp? Would you prefer to live in Gallon Jug, Baking Pot, or Tea Kettle? Imagine life on Dog Flea Cay - perhaps Cockroach Cay would suit you better. What is Saturday night like in Dancing School Eddy?

Any country with such whimsical and outlandish names, I thought, must be worth a visit. It is Belize is a whimsical, outlandish and satisfying place.

While Belize has at least in theory taken its place among the modern, independent and responsible nations of this world, I am not so sure it has caught up with this world, or is even entirely part of it. The whole country seems doddily misplaced. It functions, but in a wacky, improvised way. . . . Not even the musical choice on board the bus was entirely sane.

To begin with, no one in his right mind who owns a bus company, even if his surname is Batty, names it the Batty Bus Company. Nor does anyone normally press a brand new, low-slung, low-geared city bus, the kind with seats facing each other and straps for hanging, into long-haul service on tropical jungle highways; it does not stay new for long.

Nonetheless, off we set on the Batty Bus to Belize City, the motor howling as the driver put his foot to the floor and roared through the mangrove swamps at 30 mph.

Not even the musical choice on board was entirely sane. Gone were the hit and excited Latin rhythms one finds blaring over the speakers of Mexican buses. Instead, whining our way southward through the muggy December afternoon, we were accompanied by Bing Crosby in a mellow melody of Christmas songs. "Chestnuts roasting on an open fire. . .", crooned Crosby as we ground past coconut plantations and sweated into our shirts.

Not only the music, but my fellow passengers, too, seemed out of

place. Here we were in the heart of central America. To the north lay Mexico's Yucatan peninsula, to the east Guatemala, to the south Honduras and El Salvador. For 1,000 miles in every direction this was an Hispanic region, a world of brown skins, rapid Spanish inflections and excitable Latin temperaments.

Yet the people riding with me were more than a little relaxed, black, and speaking English. Like a foreign ship aground, Belize seems to have drifted into central America by accident, become stuck, and never left.

My impressions were only reinforced in Belize City, a place which, with 50,000 people, holds about one-third of the nation's population. If Belize, the country, is a ship aground, Belize the city is already breaking up and sinking.

Built on a swamp at the mouth of a sluggish creek, it stands only 18 inches above sea level. Hot, steamy

Baron Bliss, an English philanthropist, Belize City would have lost count of time altogether and receded back into the primordial ooze. In a long history of colonial neglect under the British crown, Bliss appears the only one to have cared for the fate of Belize.

Today the city's most notable landmarks are the results of his beneficence - the Bliss Institute, the Bliss school of nursing, the Bliss promenade, the Bliss airport transit lounge, the Bliss lighthouse and the Bliss memorial are only some of them. There is, naturally, a national Bliss Day every year to celebrate the baron's generosity.

Belize's own home-grown vitality, if it exists anywhere, reposes in its people, a true salad of genes. Hacked out of virgin forest nominally under Spanish control, the country was in large part populated by African slaves brought in to work British timber concessions.

the western hemisphere, 250 kms of warm, crystal-clear Caribbean water, colourful submarine life and the scattered small green islands known as cays.

It is here that the Belizean penchant for relaxed, makeshift living reaches the level of genius. You need not be efficient, time-conscious or even vaguely formal on the cays. Such anti-social behaviour is even frowned upon as a cramp to the island style of life - witness the sign on the wall of most cay bars and restaurants: "No shirt, no shoes, no problem."

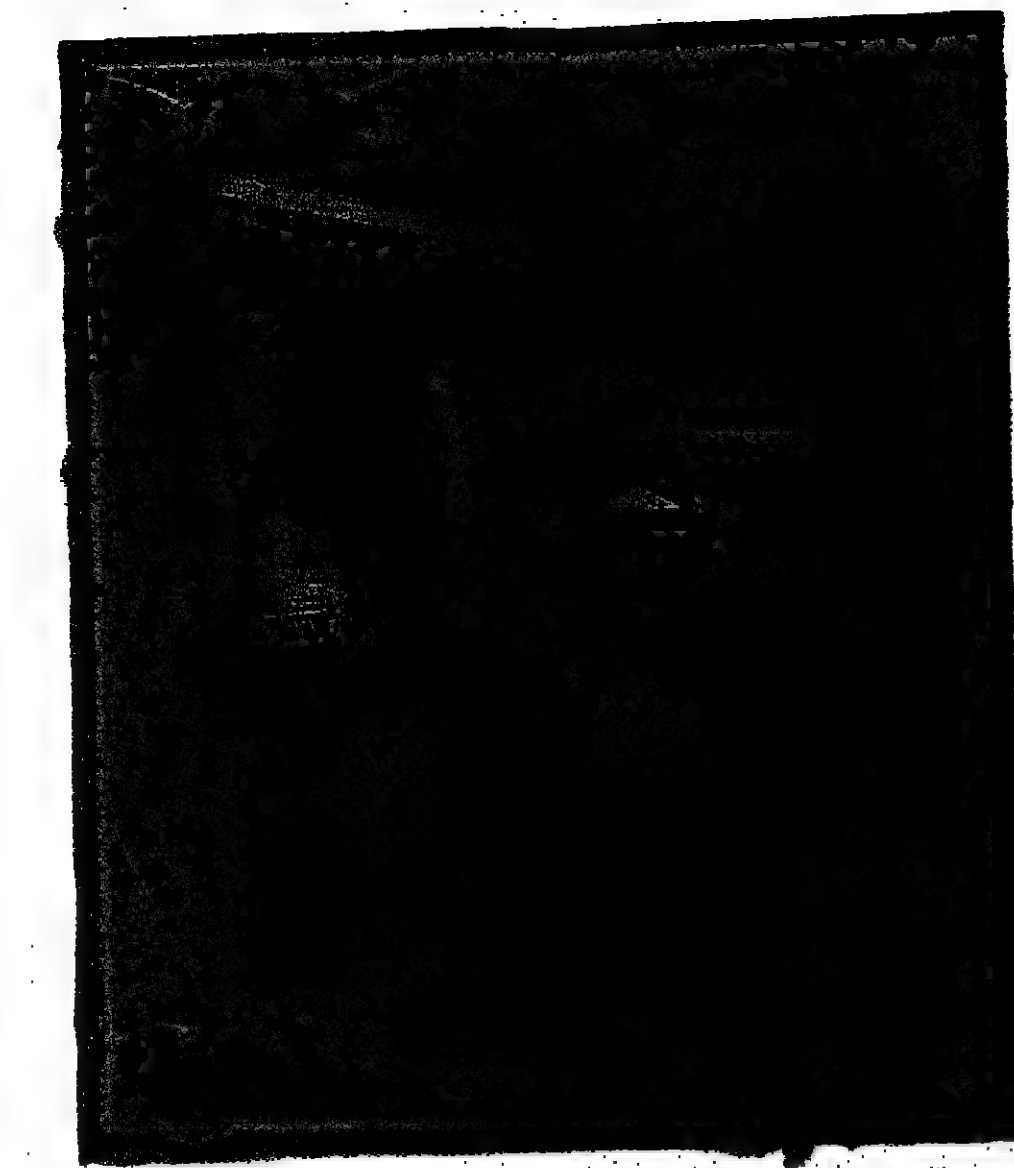
I spent a few days on Cay Caulker, a mile-long island an hour from Belize City by fast boat. It is delightful. There is nothing out there to tax even the most stressed brain. The soothing effect of living with sky, water, leafy green island and not much else is immediate.

Suddenly, everyone begins enjoying life. Like Jack and Jake, a couple of dried-out septuagenarian New York wise-crackers I met, you can spend all day drinking rum punch and fishing for tarpon. Or, like Wendy, a Labour council housing manager from London, you can put scuba tanks on your back, get away from all those people, and sort out schools of fish instead. My own choice was to spend long breezy days on *Miss Conduet*, a 23-ft wooden sailing boat which, shared with three other people, cost me just \$7 a day.

Lugging along beside the reef under patched canvas sails and a warm sun, it seemed to me there was not much more one could ask from life. When we were hungry we dropped anchor and fished for snapper. If we wanted lobster or the firm white meat of the conch shell, we dived down and hunted for it. If we felt like doing nothing, we did.

The easy-going ways of the cays are quickly adopted. In no time I felt myself turning soft and lazy. One morning I told myself it was time to leave Caulker and hurry back to the real world. But that evening, when the boat returned, I met a bare-footed woman fishing from the dock. "How many are you going to catch?" I asked as she pulled in three fish. She could have caught a dozen, or six dozen, if she had wanted.

"Just enough for tea," she said. "Fish always impatient to get caught." She coiled her hook and line. "Don't do them no good, though."



Jenny Robinson

I thought that over. I would stay a little longer. The Batty Bus back to the real world could wait.

There are no direct flights from the UK to Belize. Nicholas Woodsworth flew to Belize City via Miami with American Airlines, which offers a return fare of \$308.

One reason why Belize tourism remains relatively undeveloped is its capital's reputation for drug-related street crime, and care should be exercised. Happily, such promises apply only to Belize City. There is not a great deal of travel literature on Belize. Perhaps the best guide is the Belize Handbook, from Moon Publications.

## Doing the promenade

Michael Wigan steps out on the sands at Deauville

**T**HE SAND at Deauville is tended like a garden. The rubbish removal not effected by the busy flocks of gulls is completed by early morning sweepers and cleaners, brushing the wooden boardwalks, preparing the old wooden blue-and-white beach huts. The sea is the stage for surf-divers, idle paddlers, the strongly-tanned women rhythmically performing their breaststroke dives.

Promenading along the boardwalk is another rite, carried out by some with ancient Egyptian erectness and measured timing. Dogs are fashion items: coats trimmed, their topknots tied in lacy bows, leads of special leather. No Deauville habitué would be seen dead carting a pooper-scooper, and with typical Gallic disdain for hygiene beneath the feet, pavements are plentifully dog-fouled and the back streets have an acrid aroma.

For someone like me, unversed in Europe, the striking thing about this corner of Normandy is how resolutely French it is. By which I mean that Americanisation has been avoided. There is no T-shirt culture, no amusement arcades, fast-food outlets, structural gigantism or ghetto-blasters. Deauville is a distillation of sensuous well-being - middle-aged, studied, borne aloft in culinary refinement.

We dined in adjacent Trouville, another 19th century holiday resort sited on a long sandy beach and designed for contemplative relaxation by the seaside. Here the fishing boats enter a remarkably nar-

row channel at high tide, and disgorge their wares on to the fish-slabs on the quay. The fish has only to cross the road to Trouville's main harbour-side street before being rendered into edible form and eaten in a string of restaurants serving a choice of inclusive menus at graded prices.

Normandy is famous for eating. The activity is treated with reverence disguised by brisk professionalism. Previous training in French West Africa had taught me that the appurtenances of fish soup - crusty toastlets, a cheesy mayonnaise and piquant grated cheese - are assembled in a rough vessel, then launched on the rich body of the soup before being scooped up and swallowed whole.

I realised the first night out that my wife and I had strayed into an eating culture with its own special rules when a glamorous leotard-clad young woman sporting a huge engagement ring came and sat beside us and expertly ransacked a large crab, cracking the claws wrapped in a napkin in her lap, stopping towards the end only to order another.

With the help of a green salad and a glass of water, she then consumed a third, before getting up and briskly trotting off. For reasons not clear, my wife explained this fastidious engorgement of crabmeat as reaction to a row with her boyfriend.

It is strange, emerging from London, to walk a street with no foreign restaurants. Exotic restaurants, yes, foreign, no. Kentucky Fried and McDon-

alds may be scrambling into Trouville and Deauville off the map. Who would opt for a Big Mac when a seafood starter, costing the equivalent, is heaped with more shellfish than have names?

Covertly, we craned round to see how the natives coped with some of these. The answer, with dextrous movements of specialised utensils, popping little juicy shell-dwellers in between constantly working jaws. I was surprised to see salmon on every menu and in the charcuteries and fish-shops, seeing that France has almost no native stocks and they must be flown from salmon farms in Britain or Norway. But preparation is everything, and the most ordinary lump of salmon pressed in aspic with an egg and parsley takes on a new meaning.

**D**eauville and Trouville have become monuments to their pasts. The new buildings, even those which are four storeys high, are constructed in traditional half-timbered style with pitched roofs. The quantity of honey-coloured hardwood adorning these facades made me wonder where it all came from. Whatever the source, the timber is being put to attractive use, although now its function is ornamental, not structural.

The seafarers have an air of dilapidated gentility, reminiscent of a grander time when the seaward mansion shutters were open and the front lawns

and hedges clipped. But it is a dilapidation never allowed to reach the point of collapse.

The flaking paintwork, like Trouville's imperious but battered casino, are all tokens of style. Style is important here. Even the assistant trying to sell my wife a pair of shoes had developed a patter of extreme politeness that would have had as its more suitable object glass slippers rather than the objects actually under illumination.

Classicism is the order of the day, even at the fairground. The speakers, turned low, play classical pop from the 1960s. There are no big dippers, ghost trains, thrills and spills here. A petite merry-go-round of artistically-embellished helicopters and carriages was operated by a man with a wrinkled brown face who also worked a rag-doll from the air on a pulley, dropping it within tantalising reach of the delighted children as it squiggled over their heads.

Art is never far away in France, and the Trouville museum shows 19th century oil paintings of the beach at the height of the season. Stripy beach tents shivered on the sand, as they do still. The time had come to leave, to board the ferry at Le Havre and cross the water that separates two cultures with completely different orientations, shortly to be linked by a tunnel. A strange prospect. Not so strange, though, as the headlong rush by returning British holidaymakers for the plates of beans, soggy chips and half-hot sausages ladled out brusquely in the ship's canteen.



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On the manicured beach at Deauville: stage for surfers, paddlers and strongly tanned women







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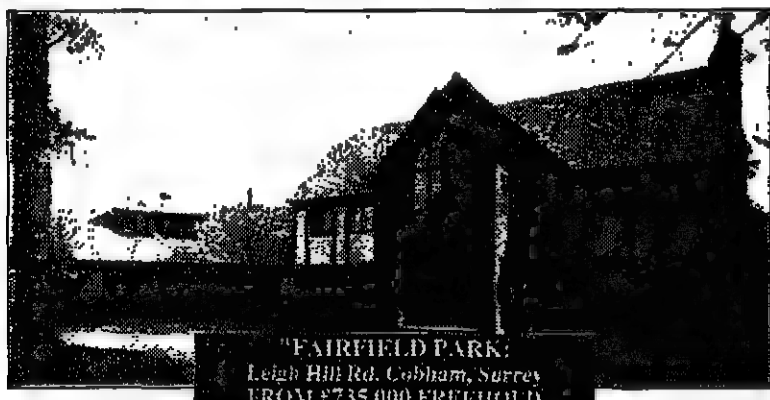
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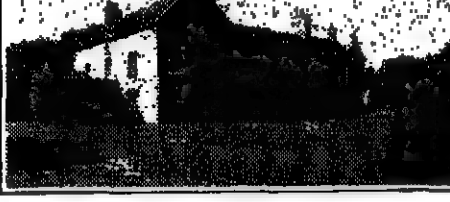
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## PROPERTY

## Cottages in all sizes, always near a station

**S**USSEX is a surprise. It is easy to imagine it as a suburban sprawl grown up round the railway, but as I took the train to the county where I grew up (and have hardly visited since) the large tracts of well farmed country astonished me.

So much green space - and so many old houses, medieval period to 17th century, still in use. Queen Anne and Georgian houses are few, except in Lewes, the old county town, and Chichester, the cathedral town. The "beamy farmhouses," described by Mary Sill, of Sussex relocation agents (0420-751505), are everywhere: rich in character, a hazard to the tall. Mind your head when you live in the county of Goodwood and Glyndebourne.

The South Downs, a low range of chalk hills, seem majestic. They rule Sussex and bar it from the sea. And - just as when I was a boy - takes ages to get from Sussex to London by road (and to believe it your normal route into town speeds along the M4 from the west, or the M11 from East Angles).

Before the railways shaped modern Sussex, it was nothing but sticky clay, small ironworking settlements, and forests, which the iron men chopped to fuel their forges. Journeying to the coast from London was an ordeal, however

much the wicked delights of Brighton and other Regency watering holes beckoned the "beamy" railways success has meant that trunk roads have lagged. Only now is the bypass round Brighton for the A27 coast road under completion, and east of Lewes it still awaits massive

## Gerald Cadogan finds many a "des. res." in the green fields of Sussex

improvement.

Sussex houses were cottages (large ones for the ironmasters) built of wood, filled in with wattle and daub (as in Normandy, which is Sussex's cross-Channel counterpart in everything except cider, calvados and cream - in England these belong to the west country).

More prosperous cottage-dwellers would put a brick or flint facade on the timber frame and hang tiles on the upper walls like a shingle cladding, to protect the wattle and daub against the weather. This is the typical Sussex house. If you see brick or flint, look for timber underneath. Although the railways brought newcomers, affluence and gentrif-

cation into the county, people still built in the same old Sussex style, endorsed in the 20th century houses of Lutens and Norman Shaw. Besides the medieval survivors, many well-built "Sussex" houses date between 1890 and 1920, in any size, attractive places to live. They are always coming on the market, and they are always near a station.

Bridgers, in West Chillingham near Pulborough, is a pretty 1920s cottage on offer at about £265,000 from John D Wood (071-493-4106) and Fowlers in Pulborough. When you return, lured from the city, Sussex greenery can still put you right, thanks to a hundred years of affluence which has encouraged a firm view on planning and conservation. Strategic gaps separate the towns and villages. Any moves to fill the gaps face fierce opposition.

Long-term high prices for houses and land are the result, though they are now about 35 per cent down on 1989. "If you have cash, this is the time to buy - you can be sure to negotiate a good price" is the agents' message. Interest picked up in the autumn of 1991, but then declined sharply before the election. The few successful sales were grouped in the £100,000-£200,000 range, where purchasers were not overworried about the outcome of the election and possible higher taxes. Now the market should



Street Place, "that rarity in Sussex, a building of substance," on offer at about £1m

rebound across the board.

At the top, Humbers (0273-478838) is offering a superb Elizabethan E-shaped large house and 15 acres for about £1m. Street Place overlooks a tiny village set back from the Downs between Hassocks and Lewes. It is that rarity in Sussex: a building of substance, grand enough to have stone corners, not at all in the timber cottage-style, although the hung tiles and the flint in the walls say loudly and

clearly that it is in Sussex. More typical of the county is the timber and brick Mercers Cottage at Twineham (near Brighton and Haywards Heath). Well placed for the horse trials at Hickstead, it is actually two separate buildings which make an attractive ensemble: a two-bedroom cottage - ideal as a place for grandparents, teenagers or an American-style guesthouse - and a three-bedroom converted barn moved from elsewhere. The guide

price is £265,000.

At the west end of the county, polo players at Cowdray will want to inspect the Old Rectory at Bep-ton near Midhurst, complete with stables and 19 acres. Strutt & Parker (0273-475411) is bringing it on to the market at over £800,000. The same agents have Antioch House, an outstanding 17th-18th century town house on the corner of the High Street and Rotten Row in Lewes. Offered at over £400,000, this

is a smart merchant's house in one of England's finest towns; a place for curling up to read Jane Austen, thankful that the third of an acre of walled garden is not too demanding.

Dale Hamme at Pinnaw, built in 1452, offers one of Sussex's real medieval experiences. Its ancient beams and inglenook fireplaces are genuine (unlike the bogus Piltown Man "found" in a nearby gravel pit), and there are paddocks and stabling for children's ponies. GA Town & Country (0825-761844) offers it at about £450,000.

An alternative with less ground, at about £225,000, is Batsford Farmhouse at Wood Place, near Heathfield in East Sussex. This is a late 15th century E-shaped hall house (like Street Place, but of earlier date) built by ironmasters. Unfortunately a fire in the 16th century lost the house its wings, leaving an unusual long house. John D Wood is the agent.

Further east, GA Town & Country is the agent for Great Beech near Battle (of 1066 and all that), a Kentish style farmhouse with a converted east house and barn with planning permission. There are 28 acres, and the guide price is £335,000 - or the property may be split into three lots.

If you enjoy gardening, you may be interested in Stone Court at Staplefield, in the heart of the rhododendron belt. Nymans, Leonardlee and Wakehurst Place gardens are all nearby, and so is Gatwick. The old part of the house is 17th century. John D Wood and Barton & Wyatt (081-977-2374) offers this sumptuous house with swimming pool, tennis courts, many bedrooms and 22 acres, for about £850,000.

**I**F YOU ask Roderick James, of Carpenter Oak and Woodland, at Colerne in Wiltshire, why he likes building new oak-framed barns for his clients to live in, he will say it is because there is more chance of making the oak timbers visible inside.

"New barns have more potential. The countryside is full of barns badly converted into houses. We are really specialists in the use of oak for all purposes," says Mr James. His latest project, besides a mass of restoration work, is to quote for roof trusses, rafters and oak window frames for the new £2m Coim Street Site D housing development near the National Theatre on the South Bank.

His company will build you a barn of any shape or size, provided it has a green oak frame. If you happen to have bought a plot with an existing dwelling on it - a small bungalow, say, in a ruinous state - the new barn can be

erected over it while you live in the bungalow almost until it is demolished.

Roderick James has done this on several sites - and there has been no difficulty in obtaining permission to build an oak framed barn and demolish the bungalow. In most cases the barn has been more suitable for the site and to the architectural vernacular of the area.

Of course this cannot happen every time. But James uses his "bungalow-setting" concept to demonstrate the advantages of houses supported by plant frames of green, or unseasoned, oak - in particular the speed with which a frame can be erected.

"Oak has great warmth and

strength," he says. "Its smell and colour appeal to the senses, and it weathers beautifully. People looking for old buildings have often decided that a new barn frame suits them best."

Adaptability is partly the reason for this. You can add to what you have got, and if the frame shifts, or needs more support, you can modify or strengthen it fairly easily. You can also extend a house built in this way: a high proportion of this company's work is providing oak frames for extensions to existing buildings.

Of course, our forefathers knew all about the framing method. There are few areas of Britain where, for several hundred years

until the late 18th century, oak, elm, and other hardwood framing ("half timbering," to some) was not used in building. Those old crooked buildings from the past add character to many old towns and villages.

Although Roderick James and Charles Brentnall, his co-director, are keen to dispel any myth that they are a slavish regard for the past (they are keen to incorporate modern hi-tech features into the interiors of their buildings), the methods used are essentially traditional. Each frame, designed for the individual client, is cut from oak which is still "green" - that is, used within two to three years of being felled.

Although there is no shortage of

oak for building, they have a renewal policy. Through the company, you can buy a "parcel" of felled green oak for seasoning, as an investment. Carpenter Oak and Woodland also plants two new oaks for every 15 cubic feet of oak used for an average sized barn it will plant between 30 and 35 new trees.

All the buildings are prefabricated, like their 16th, 17th, and 18th century predecessors (usually in the village sawpit), and transported to the site, to be erected in between four and six days on a base already prepared by a sub-contractor.

The company also custom-makes smaller buildings such as garden structures and adaptations of barns - like the oak-framed studio being

built for Andrew Parrott, the conductor, in the grounds of his Oxfordshire home: a free standing structure some 10 yards from Mr Parrott's 17th century farmhouse, connected to it by a glazed, oak-framed walkway.

All the outside framing is of oak, which will be visible from the inside on completion. The roof contains exactly the same sort of jointing and windbracing that you will see in a 17th century barn.

Not far away, in the village of Little Wittenham, on the Thames near Dorchester, Charles Brentnall and his team will shortly erect the oak roof of an accommodation block and study centre for a group of ecology and conservation volunteers,

and a separate building with a double oak jetty. Another interesting scheme is on the site of the former Victorian village school at Apple-shaw, near Andover, where Patrick Bogert is acting as project manager for a new Carpenter Oak frame which will act as an extension to the old brick and flint building which will be the family home.

Oak is also suitable for modern schemes such as the Coim Street development. Architect Alex Lufschutz plans that all 11 houses and 16 flats will have oak rafters and roof trusses as visible features.

The cost of the oak frame is not a high proportion of the total cost of a Carpenter Oak house. Building costs usually average about £50 per sq ft, James says, but architects' fees are likely to be high.

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## BOOKS

## Simenon: Maigret's greatest mystery

Jackie Wullschlager on a triumphant biography of the world's best-selling detective writer

THE three best-selling writers of fiction of all time are William Shakespeare, Jules Verne, Georges Simenon, claims Patrick Marham. Of these Simenon has had much the least critical attention but wrote by far the most books: he published 183 novels under his own name and as many pseudonymously. His character Maigret, a rival to Sherlock Holmes as the world's most famous detective, stars in 78 of them; when the commissaire retired, his exploits had been translated into 55 languages. Each "Maigret" took a fortnight to write, during which Simenon was sustained by two bottles of Bordeaux - "neither too young nor too old".

Simenon's mother wanted him to be a baker ("Have you ever heard of a poor pâtissier?") but in 1919, aged 15, he walked into the offices of the *Gazette de Liège*, demanded a job, became junior newsboy and then a scurrilous columnist. Every word he wrote comes out of those years as court reporter, when he drank into the small hours with policemen or criminals, watching the upright burghers of Liège turn into "cheats"

**THE MAN WHO WASN'T MAIGRET: A PORTRAIT OF GEORGES SIMENON**  
by Patrick Marham  
Bloomsbury £17.99, 346 pages

and thieves in the aftermath of war. Decades, record sales and millions of dollars later, he remained a chronicler of *les petites gens*. Simenon was not Maigret, but, as this triumphant biography shows, no one else could have created Maigret's distinctive underworld or his understanding of the criminal mind (both policeman and criminal, he used to say, once stole sweets from the same sweet shop). No other serious writer stayed so in touch with his background that he kept to a

vocabulary of 3,000 words so that everyone could enjoy his work, yet was lauded by writers from T.S. Eliot to André Gide, who called him the greatest novelist of the century. Marham's skill is to pull together the personal and the cultural context of the Maigret milieu, and thus the different sides of Simenon the man. His hero is at once the drinking, womanising journalist who turned the *fait divers*, the brief news item, into a chain of thrillers, and the fevered genius whose small-time tales are modern equivalents of Balzac's and Flaubert's novels of bourgeois 19th century life.

His life story is stupendous. Born in Liège to a father he adored and a mother he loathed, he changed from school sweet into delinquent during the First World War, when he saw the corruption of occupation. He formed an arty clique called *la*

*caque* (the herring barrel, a reference to its tightly packed meetings), whose members admired Expressionism, hung out with prostitutes and drug-dealers, and were obsessed with the symbol of the hanged man. One of them hanged himself from a church door - the story of *Le Pendu de St Pholien*; others were later convicted for murder.

Simenon broke away to Paris, stalked the cheap hotels and hookers by the Gare du Nord, but impressed Colette with a short story. Editors flocked; Simenon's output grew; in 1928 alone he published 44 pulp novels. He was rich, gave wild parties, married but continued to prefer prostitutes, had an affair with Josephine Baker and one with his wife's maid, Boule, which outlasted the marriage. When Monsieur and Madame Simenon travelled around France and the Nether-

lands by boat, Boule came too; they slept in a cabin and she, in a tent on the beach, was summoned by trumpet each morning.

On one such trip, in 1929, Simenon decamped to a café and in a haze of schnapps "began to see the powerful and imposing bulk of a gentleman emerging, who would make an acceptable detective-inspector". The large, grumpy, imperturbable, watchful commissaire recalled Simenon's father, who used secretly to support him against his mother. But Maigret's insight into criminal motivation, his refusal to pass moral judgments, were Simenon's own: "I was born in the dark and the rain, and I got away. The crimes I write about are the crimes I would have committed if I had not got away".

Simenon is compelling because he shows how close the deranged mind

is to the ordinary mind; he puts characters in positions which push them to the limits of experience and shows what happens to them at the ends of their tether. He wrote, he said, to rid himself of the ghosts of his imagination, but the personal cost was enormous.

His blackest books were driven by hatred of his second wife, Denise, when she announced he no longer attracted her. "Fais vite," she would say when he insisted; she accompanied him to brothels, tormented and fought him, and spent years in an asylum while Simenon contented himself with maids ("On passe toutes à la casserole" - do we all get laid? - asked a new one). His daughter, Marie-Jo, had a breakdown which Simenon could not resist turning into fiction in *La Disparition d'Odile*; its heroine attempts suicide. A few years later

Marie-Jo made a final phone call to her father and shot herself through the heart.

Asked what made a novelist, Simenon replied "a man who does not like his mother, or who never received mother-love". His novel *Le Chat* is a pitiless account of his mother and her second husband; they married for money but were convinced each would poison the other, and kept food in separate locked jars in the kitchen. Was he subconsciously trying to please her? Before she died, he produced four to five books a year; shortly afterwards, he abandoned fiction writing completely.

In its attempt to pinpoint the key moments and motives of fictional creation, this is a model of literary biography. Like Simenon, Marham is non-judgemental, entertaining, compact; a quick detail encapsulates a trip across France here, a novel's topography there. From pungent French countryside to gloomy Channel port, Maigret inhabits a precisely delineated imaginative landscape; Marham explains with glee and sensitivity its origins.

## An un-literary biography - Waugh without his art

GRAHAM Greene, in a much-quoted phrase, said that his friend Evelyn Waugh was "the greatest novelist of my generation". Waugh wrote to Nancy Mitford in another well-known quotation: "You have no idea how much nastier I would be if I was not a Catholic..." There is the challenge to the biographer: to show how the literary genius co-existed with the cruel, tormented, snobbish, offensive, reactionary old buffer.

The second volume of Martin Stannard's biography opens in 1939 with the fashionable author of black comedies joining the Royal Marines as an over-age trainee officer - or rather, as he saw it, as a Catholic crusader in the defence of Christendom.

The love affair with the army was short, and painful on both sides. Waugh came to feel that he was unwanted (which was true) and that the cause had been dishonoured; his five days in Crete gave him a conclusive sense of national disgrace. He began to turn his life into a fiction - "sensitive,

Catholic, bundled out of a Protestant war because he would not compromise his honour..." writes Stannard. "Every one else had to be wrong... Here was the impetus for the post-war writings, and also for his short, unhappy life: he retreated into a dream, a fixation with a romantic and unreal past."

An important part of that fiction was his infatuation with

**NO ABIDING CITY: EVELYN WAUGH 1939-1966**  
by Martin Stannard  
J.M. Dent £25, 523 pages

the aristocracy. He never truly belonged to it, he was reacting against his Golder Green birth and his middle-class father. As his son Auberon has written: "Although the Waughs were an eminently respectable family... the gulf between them and the carefree traditions of the aristocracy was as great as if he had been a fishmonger's assistant". That may be a bit strong but the idea can stand:

there must have been hypocrisy as well as eccentricity in Waugh's life, which would have heightened self-parody and unreality, in his literary art, "the confusion of social grace with moral worth" (in one of Stannard's sharper phrases).

Stannard lingers over the detail of Waugh's increasingly isolated and misanthropic years as country gent. His days were taken up with family, church, library, increasingly distant friends, and drunken jaunts to London. He was an old man long before his time.

His (second) marriage, one suspects, will remain mysterious: he must have been an impossible man. His deficiencies as a father have been aired again in his son's recent autobiography. The father said of his children: "I can only see them as defective adults, feckless, destructive, frivolous, sensual, humourless..." Was that a joke? Presumably not - the sentence comes from his diaries. Was it self-parody?

The fundamental concern of his life was his Catholicism, and Stannard rightly emphasises his obsession with the preservation and propagation of the Faith. He awaited death for years. He was afraid of madness, and in *The Ordeal of Gilbert Pinfold* in 1957 he left a remarkable report on his own breakdown. Stannard gives the episode a central place in his tale. Were



Waugh's "voices" the result of an overuse of narcotics, as he afterwards claimed, or, as Stannard suggests, did the drugs release "a barrage of self-hatred... his private catalogue of self-reproach"? If he was mad, perhaps he should have bitten a few more of our novelists... Stannard's biography is

careful, readable, and appears exhaustive until one realises its great weakness, which is that it too rarely illuminates the most important area of Waugh's life - there is almost no sense of Waugh at work as writer. There is a welter of detail about the minutiae of the years, his wartime postings, his feuds with Cyril

Connolly, and so on and so forth. But what happened when this dyspeptic and long-haired man closed his library door, settled at his desk, and picked up his fountain pen? We are not told. It turns out to be a curiously un-literary biography.

JDF Jones

## Capital culture

CITIES began as market-places fortified against attack. In this double genesis lies their essence. By bringing together seekers and suppliers they provide an arena for every imaginable kind of transaction, and thereby generate wealth and its concomitant, power. By focusing that power they dominate their hinterlands, once consisting of the passes, fords and strable lands viewable from their watchtowers, but now consisting of economic and political landscapes spreading right across the world.

**THE 100 MILE CITY**  
by Deyan Sudjic  
Andre Deutsch £20, 313 pages

Cities are also the forcing-houses of culture. Rural life entrains people in long rhythms not of time but of recurrence, whereas city life restlessly pushes people into the future, demanding of them quick thinking and quicker reflexes. Urban existence constitutes a different dimension of human experience, and almost every type of material and intellectual progress is owed to it, as is almost every type of spiritual regress.

Until the late eighteenth century the character of the city was a given. Cities were constrained in size by pedestrian endurance, sewerage arrangements, food supplies from the neighbouring regions, the reliance of trade on winds and tides.

The city that Aristotle pressed as the setting for ethical life, and the city that Renaissance princes sought to beautify as an expression of their personal grandeur, are in every essential the same. But with the agricultural and industrial revolutions came dramatic change. To point the contrast one need only compare, say, San Gimignano and London.

Deyan Sudjic suggests that in the last few years another great transformation has occurred in the nature of the city. It no longer has an identifiable core of civic spaces and monumental buildings; it is a 100-mile diameter catchment area, whose city gates are airports and whose "centres" are shopping malls. The paradigm is Los Angeles, sprawling vasty under a haze of pollution thrown up by the phenomenon that made it possible: the motor-car.

Sudjic's book is a collection of admirably perceptive essays on the nature and implications of these recent changes. In swift, polished, highly readable prose he scrutinises the roles of developers and architects, the experience of work in the city, and the evolving character of tourism, transport, housing, conservation, shopping, and much besides.

He is especially good on the themes he identifies as pivotal, some of them unexpected: the economic and cultural significance of the airport, the role of the museum, the effect of "corporate egos" on city skylines.

A C Grayling

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SOMEONE forgot to tell Mark Helprin that American novelists aren't supposed to write books like this any more. Big, brainy and bodacious, *A Soldier of the Great War* manages to possess both historical sweep and philosophical depth without resorting to either the mentality of the mini-series or obscure cant.

It tracks the adventures of Alessandro Giuliani, a young student of aesthetics from a wealthy Roman family. After a comfortable youth spent mountain-climbing, studying art and falling in love with the girl in the villa next door, Alessandro finds himself thrust into the First World War. He is posted to the Austrian border, where his indoctrination in carnage comes from the vantage point of a forward observation post. Despite his ringside seat to

daily slaughter, he manages to keep his faith in the primacy of beauty, even going AWOL during a lull in the fighting to view Giorgione's *La Tempesta* in Venice.

Eventually, Alessandro and his unit are sent to Sicily to chase deserters up Mt Etna. Unwilling to bring back his quarry to face the firing squad, Alessandro himself deserts and is soon captured and sentenced to die. He is reprieved at the last moment by the malevolent Orfeo, a powerful bureaucrat at the Ministry of War, who toys with Alessandro throughout the book to satisfy an

ancient grudge he bears towards the Giuliani family.

Our hero is sent off to cut marble for graves and then is re-assigned to an alpine unit where he is stuck on a mountain-top, the northernmost man in the Italian army. Wounded, he falls in love with his nurse, Ariane, only to be separated from her, perhaps forever, in a

Fiction/Stephen Amidon

## Beauty and the beasts of war

**A SOLDIER OF THE GREAT WAR**  
by Mark Helprin  
Hutchinson £15.99, 792 pages

bombing raid. He is then captured by an elite unit of Austrian cavalry (who turn out to be pacifists), and survives by helping them compose fictional accounts of battle. The war ends and he returns to Rome, a nearly broken man, sustained only by his love of beauty, plans of gaining revenge on Orfeo, and a barely-rational belief that Ariane is still alive.

Despite the epic grandeur of its plot, *A Soldier of the Great War* is no mere historical romp. Rather, Helprin has written a considered, digestible, often moving novel of ideas, a book with a scope and tone

more reminiscent of the 19th century than of our times. The controlling idea here is that Alessandro's refined sensibility - which has him risking execution to look at a painting, or noting how birds sing during a fierce battle - is the very thing that allows him to endure witnessing so much carnage, as well as enabling him to maintain spiritual communion with those who fall victim to it.

Helprin carries forward this rather tricky notion with deft style and narrative grit. Countless times in the narrative, our attention is drawn away gently

from a gruesome reality to a thing of beauty, permanence and regeneration. It is, largely, a convincing argument although Helprin overplays his hand at times, especially when it comes to the weather, which might be the most cloudswept novel ever written.

But Alessandro himself, equal parts stoic and romantic, is such a seductive figure that many readers will be tempted to put aside their scepticism at Helprin's potentially quaint philosophy. Personally, I preferred watching our hero as he wiped out enemy commandos or seduced nurses to listening to his disquisitions on the spiritual aspects of beauty. But then, that is the advantage of being able to apply so much skill over so many pages - you end up writing a novel that is sure to have something for everybody.

A POLITICAL THRILLER TO RIVAL GORKY PARK...

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## Along the humdrum highway

**THE GRANTA BOOK OF THE AMERICAN SHORT STORY**  
edited by Richard Ford  
Granta Books £16.99, 710 pages

as in the United States." Richard Ford does not seem convinced. In his rambling introduction he is strangely offhand about the distinctive contribution of American writers.

He quotes - with some disbelief - Frank O'Connor's praise in 1962, but he does not seem to have read Maugham or any of the other commentators who have hit the same note - H.E. Bates, for example, who professed an "abiding respect for the short story in America". Apart from this one feels that *The Granta Book of the American Short Story* should have been sub-titled... since the Second World War, for that is where it starts. Everyone else begins with Irving, Hawthorne, Poe, Melville, James, Crane et alia.

Not that this matters very much, provided the guidelines are made clear. But Richard Ford does not make them clear. In fact he is so downbeat that we could be dealing with his namesake, Harrison. It is

only after reading all of his selected 43 stories that one realises what he is driving at.

He begins with some old chestnuts of the forties and fifties - for example, Paul Bowles's account of the professor who had his tongue cut out in North Africa, Robert Penn Warren's "Blackberry Winter", Shirley Jackson's "The Lottery" and Flannery O'Connor's "Good Country People". These stories reveal the underside of human nature without any attempt at catharsis.

With Donald Barthelme's "The Indian Unprising" (another favourite anthology piece) we enter the post-modernist sixties. But there is only a breath of this before we are ushered into the true holy land, the land of Raymond Carver. Oregonian manual labourer and master of the minimalist mode.

Carver is king because he successfully follows Ford's own approach to fiction, that is, that you write because "lived life somehow isn't enough". Carver's contribution is therefore a significant advance over the nastiness of Bowles and the naturalistic melodrama of Flannery O'Connor. His writing is not only in the vernacular but flat, low-keyed, understated. It is also strangely

moving, reminiscent in fact of that neglected master Ring Lardner, who was so admired by that other Middle Western writer, Ernest Hemingway. And it was of course Hemingway who propounded the iceberg theory of literature - that you show only one-fifth of your material. The other four-fifths lie below the surface.

The criterion is what Hemingway called "writing truly", for which purpose he said "the writer had to have a built in 'shit-detector'". Carver undoubtedly had one of these useful pieces of equipment and so presumably does Ford, although he modestly leaves himself out. Blake insisted on "minute particulars". T.S. Eliot said that the art lay in finding the "objective correlative".

Ford ("Stannard almost always come after the fact"). That is why the last story, "The Things They Carried", by Tim O'Brien, about the Vietnam war - strikes the right note. Richard Ford's anthology shows how American writers have returned to the path that Twain trod, even though that path is by now a six-lane highway.

Geoffrey Moore



## ARTS

Off The Wall/Antony Thorncroft

## Welcome to the House of Fun

**D**AVID MELLOR, the new Minister for Fun, has quickly got into the spirit of his new job by disappearing on holiday. He has left behind hundreds of miserable civil servants who might or might not be drafted into his Ministry for the National Heritage, and an arts world wracked with uncertainty.

One nice problem - apart from where the 350 staff will be housed - is the status of poor Charles Henderson, who currently heads the arts bureaucracy but who is not high enough up the Civil Service hierarchy to take Permanent Secretary status. And Mellor's job demands a PS. For years the Office of Arts and Libraries has been a pleasant backwater, no place to forge a great career. Quickly changing this state of affairs could be a vital, but unglamorous, task confronting Mellor.

One thing seems certain: most of the decisions - on arts funding, on the future of broadcasting, on sports and what national treasures should

be exported, on whether the British film industry has a future, on the nature and scope of the national lottery, and on the gigantic celebrations for the millennium, will be taken directly by Mellor.

He might in theory be a supporter of the arm's length principle of arts funding but his temperament will make him a hands-on Minister. His love of publicity, and inclination to stir things up, will be given full rein. He will always be popping up in the media, the UK's fleshy answer to France's urbane Jack Lang, who achieved national notoriety as a high profile Minister of Culture.

To general amusement there will be no specialist junior ministers

looking after the arts, or sport, just Robert Key, enthusiastic chorister and lover of Queen, the band rather than the monarch, who in theory shares the decision making. But in those awkward few weeks in 1990, when Mellor was Arts Minister, what was most striking was his insistence on getting involved in the minutiae of the job, on how much money was destined for what theatre group, or orchestra (especially if the orchestra was the LPO on which he had been a board member). His attitude was clear cut - I'm supplying the money and I want a say in where it is going.

And supply the money he did. In a sharp contrast to the outgoing Arts Minister, Tim Renton, this

week, the chairman of the Arts Council, Lord Palumbo, thanked Mellor, rather than Renton, for forcing the Treasury to give the Council a generous grant increase for 1992-93. Mellor also found the film industry's plea for tax concessions will be accepted at last.

For the arts generally, the Arts Council's pet project, a "National Arts Strategy", will be allowed to emerge this summer before any dramatic decisions are taken. Mellor was not totally committed to local arts funding when Minister - and he may well job at the LPO being delegated from Arts Council funding to the care of the London Arts Board, as is planned. This could influence his approach to the whole develop-

ment. But there are bound to be rows. Mellor is basically sympathetic to the BBC so it might secure its new charter for the loss of Radio One and Two to commercial advertising. It seems likely that the film industry's plea for tax concessions will be accepted at last.

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The arts, heritage, and sport have always been the front runners but the temptation to divert money to health and education will be difficult to stop. Even if the arts receive £200m this will scarcely be enough to repair every museum, keep every £10m Canaletto in the UK, and purchase such necessities as a national dance house.

Oddly enough the Foundation for Sport and the Arts, another of John Major's ideas, which was promoted, and part financed, by the football and pool companies in a vain bid to stave off competition from a lottery, is quickly proving itself a cheap British, alternative that seems to work.

The £20m plus the Foundation gives to the arts each year is piling up the arts fabric of the nation: £2m for the Coliseum; £300,000 for Blackheath Concert Hall; £3m to save the old Ealing Studios. The RSC could be the next beneficiary. Mellor will have to fix very firm guidelines for the Lottery if it is to match the work of the Foundation.

## The timbre of Indian timber

**I**F YOU think Indian art is about refined miniature painting and the clean lines of the Taj Mahal, then the exhibition "Living Wood" at the Whitechapel Gallery will change your mind.

Celebrating the South Indian woodcarving tradition, this is a pioneering show of 130 animals, gods, spirits, chariots and architectural elements made in southern India since the 18th century. From a 24m high, gold-painted strutting peacock used for temple processions to an equally large, sumptuously carved door of Burma teak which once led into a wealthy trader's mansion in Chittagong, all but a handful are on public view for the first time.

India's craftsmen have produced some of the world's most remarkable woodcarvings. Their skills so astonished the sophisticated Mughals who invaded North India in the 16th century that they employed native Hindu woodcarvers to build and decorate their Islamic buildings. This exhibition concentrates on the pure Hindu traditions of the South, where the Dravidian culture was never knocked on its side by Islamic invaders.

High-quality wooden sculpture has been a feature of life in southern India down the centuries, and continues to do so, but until now it has largely been ignored by academics. The vast wealth of material is mostly unpublished and thus unknown except to the more

intrepid travellers to India. George Michell, who researched the exhibition and edited its substantial catalogue, has set out to change this.

His aim of opening up another chapter in Indian art, to publicise the "pure enjoyment and aesthetic stimulus" of South Indian woodcarving, has meant turning detective to ferret out the exhibits. Some, including a great painted screen flanked by grinning monkeys, have been shipped from Perth, Western Australia, where there is a foundation for Indian art, established by an American who made a fortune in Australia and spent much of it on Indian art.

By contrast, a great goddess sitting astride a winged bull and several other votive images come from Mysore University's substantial Folklore Museum, which miraculously survives along on an annual budget of £80, with no hope of exhibitions or publications. George Michell, who spent a day at the Victoria & Albert Museum unpacking 20 cases which had not been opened since the Indian Collection was moved there from the Imperial Institute in the 1950s.

The Whitechapel Gallery held its first exhibition of Indian art in 1994, a general survey grandly entitled "Indian Empire". Mr Michell's show, ranging from high-class, intricate temple carving to simple pieces of nature worship, is unified by each exhib-



Flying female angel, an altar or chariot figure, from Tamil Nadu

its freshness, directness and energy. Such a show demonstrates just how far the appreciation of Indian art in Britain has progressed.

Louise Nicholson

Sponsored by The Henry Moore Foundation, Visiting Arts, Grindlays Bank, and Cox & Kings Travel. At Whitechapel Art Gallery, London E1, (071) 577 5015, until May 31, then at Cliffe Castle, Bradford, June 15-August 9.

## Radio

## Annie Lennox tells all

**I**T WAS Ladies' Week across the channels last weekend. On Radio 1 on Saturday, Annie Lennox "told all", we heard about her baby, but most of "all" concerned her new album, *Diva*, and her old albums, when she was half of The Eurythmics. Radio 2, also on Saturday, presented the immortal Joyce Grenfell, who had more to talk about and talked better - had a great repertoire of English voices, despite being brought up in America. She was my next-door neighbour in Chelsea, where her assimilated English everyday voice could suggest any one of her stage voices as necessary.

And late on Monday, Radio 4 had Adelaide Hall in the first of six programmes. I can recall her from the 20s, a Broadway star, later a Paris cabaret star. Electronics works miracles with the human voice, and although she is nearly 80, we

can still hear something like the same sound - though like Joyce Grenfell, she too has grown English.

Both Radio 3 plays this week were revived in memory of dead participants - a formula that might too easily sentence us to old-time revivals a dozen times a week. On Sunday, *The Ballad of Peckham Rye*, by Marjorie Spink, with music by Tristram Cary, recalled Christopher Holme, the director, who died last year. Under his direction, it had won the 1982 Italia Prize.

When Spink's Dougal Douglas (Frank Duncan) moves to Peckham Rye, disturbance breaks out at every level of local society. It's all treated fearfully, even if concerned with such serious things as blackmail, business, assault or romance, and it is not surprising that Douglas claims to be the Devil. Some musical dialogue is sung, but there is nothing like a real song. It was fun with no cultural objective, and yes, it was nice to hear once-familiar voices like Denise Bryer and Vivienne Chatterton.

But on Tuesday another memorial play, *Visitors*, the first play by Terence Hands, who died last year in an accident, brought very much less fun. Originally transmitted in 1984, it imagines the delusions of a senile man confined to a wheelchair (Harry Andrews, admirable as always), veering from romantic fantasies to a vision of death. It seemed sentimental and unconvincing.

## ART GALLERIES

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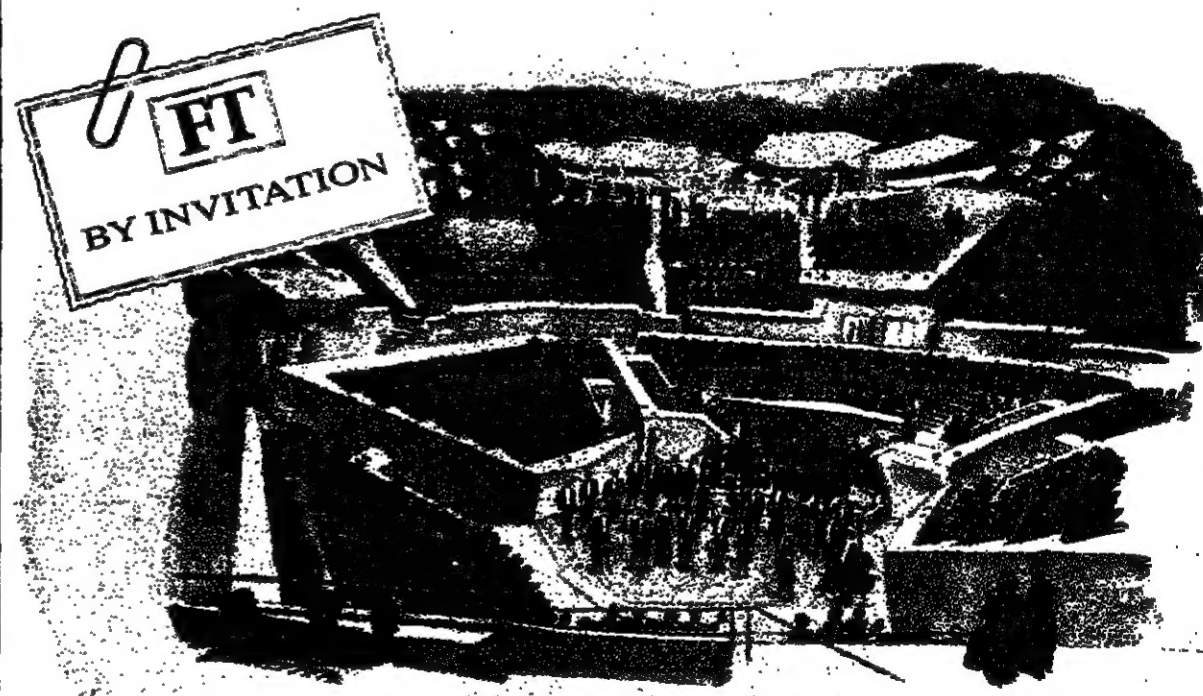
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## A classical weekend in Vienna with The Chamber Orchestra of Europe

The Financial Times invites its readers to join us for a weekend in Vienna to hear The Chamber Orchestra of Europe. We have reserved the best seats at the Musikverein on the 6th and 7th June, when Franz Bruggen will be conducting concerts of Bach, Mozart and Schumann, with Alfred Brendel.

The arrangements we have made with Austrian Airlines and the five star Bristol Hotel allow you to plan your trip entirely to suit yourself, and you may stay for as long as you wish, travel when and from wherever you want, or indeed make your own travel or accommodation reservations separately. All prices take advantage of the special rates we have negotiated - for example three nights at the Hotel Bristol, with return flight from Heathrow and one concert would cost £597, while a stay for only Saturday night would be just £393.

RSVP by completing the coupon opposite. We hope you can join us in Vienna.

6th June		7th June	
Bach Suite No1	Depart Vienna	Bach Brandenburg No1	Arrive Vienna
Mozart Piano Concerto K466	OS460 07 33	Mozart Piano Concerto K491	OS470 10 35
Schumann Symphony No1	OS462 10 25	Schumann Symphony No4	OS472 13 40
	OS464 12 20		OS474 16 30
	OS466 15 15		OS476 19 25
	OS468 18 10		OS478 22 20
	OS470 21 05		OS480 25 15
	OS472 24 00		OS482 28 10
	OS474 26 55		OS484 31 05
	OS476 29 50		OS486 34 00
	OS478 31 45		OS488 36 55
	OS480 34 40		OS490 39 50
	OS482 37 35		OS492 42 45
	OS484 40 30		OS494 45 40
	OS486 43 35		OS496 48 35
	OS488 46 30		OS498 51 30
	OS490 49 25		OS500 54 25
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	OS494 55 15		OS504 60 15
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	OS498 61 05		OS508 66 05
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	OS510 78 35		OS520 83 35
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	OS514 84 25		OS524 89 25
	OS516 87 20		OS526 92 20
	OS518 90 15		OS528 95 15
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	OS522 96 05		OS532 101 05
	OS524 99 00		OS534 104 00
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	OS546 131 05		OS556 136 05
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	OS598 206 55		OS608 211 55
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	OS720 389 50		OS730 389 50
	OS722 392 45		OS732 392 45
	OS724 395 40		OS734 395 40
	OS726 398 35		OS736 398 35
	OS728 401 30		OS738 401 30
	OS730 404 25		OS740 404 25
	OS732 407 20		OS742 407 20
	OS734 410 15		OS744 410 15
	OS736 413 10		OS746 413 10
	OS738 416 05		OS748 416 05
	OS740 419 00		OS750 419 00
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THE gloating must stop. There is nothing better than a good gloat, but all good things must come to an end.

Those of us who supported the Conservatives in the election, even though we were told that we were backing the losing team, and that we would be in the dustbin of history, have had our moment of triumphalism. The time has now come to unite the nation. In particular we must offer cheer and hope to those of our acquaintance who voted Labour, so that they can face the next five years with equanimity. Better that, or else our socialist friends of more than slender means might join Vanessa and Colin in the Workers' Revolutionary Party, and then civilised dinner party conversation would become all but impossible. It was in fact on election night

## Pity the lobster socialists

Dominic Lawson offers a plan to help wealthy Labour voters carry on

Itself that I felt the first pangs of pity for the losers. The proprietor of *The Spectator*, Conrad Black, had thrown a party at The Savoy (Champagne and Crustaceans 11pm to 1am RSVP); and while I would be lying if I said that the dominant mood of the evening - after the Bastion result came in - was not overwhelmingly triumphalist, there was also a smattering of champagne and crustacean socialists present.

One could see the lobster turning to ashes in the mouth of these people and one wanted to do something to cheer them up if only to make sure the Black party went with more of a swing than that enjoyed by the Labour party.

Unfortunately I was too inebriated at the time to make coherent my sympathy to those described by the French as *pouches carrieurs*. So perhaps here is the place to do it, in the pages of a newspaper which also thought that we would be better off under a Labour government.

Labour voters should first of all take heart that the Conservative share of the poll was, at 41.9 per cent, exactly the same as it was in the 1986 general election, when Labour gained an overall majority of 98 seats. So even if the Conservative share of the vote remains at this apparently impressive level, all Labour has to do, is persuade former Labour

voters who now vote Liberal, that Paddy Ashdown is unelectable. That should not be difficult.

In the meantime however, Labour voters, particularly those of substantial means, must find a way of triumphing over Conservative greed and self-centredness. There is a simple solution.

All my well-off Labour friends need to do is work out how much extra tax and National Insurance contributions they would have paid under Neil Kinnock's proposed government, and make it over to the Inland Revenue as a voluntary contribution.

Some Labour voters might object on the grounds that their money might go to further Conservative

policy objectives - although they are mistaken if they think that a Labour government would have paid their higher taxes, in some hypothetical way, directly to the Department of Health and Social Security.

But such cynics need not pay their additional voluntary contributions directly to the Treasury. They could donate their money to any National Health Service hospital which has clearly stated that it will not become a self-governing trust, or to any state school which has decided not to opt out of education authority control.

I know that many of my Labour-voting friends will object that the money raised will be only

a fraction of that pledged by John Smith in his Shadow Budget. But it seems that about 20 per cent of those described by advertising agencies as ABs, voted Labour, so the amount raised will not be negligible either.

This voluntary tax is of course not designed purely for disappointed Labour voters. The idea comes straight from the practice of Margaret Thatcher.

In all the years of her prime ministership she refused to take up her full pay entitlement instead choosing to take only the amount paid to every other Cabinet minister. In this way the Treasury retained about £250,000, to spend on the beneficiaries of government aid. Will the Labour well-to-do be as charitable as the former prime minister? Or will they give the rest of us reason to start gloating all over again?

*Domestic Lawson is editor of The Spectator.*

## Murder scandal

### golf

Michael Thompson-Noel



HOW NICE, now that the UK election is over, to get back to a normal daily intake of murder, mystery, mayhem, scandal, sex, golf, recidivism and post-feminism and to

reflect that no-one who lives and votes in Britain need scan or ingest a single wacky story about polls or politicians for at least a couple of years - until murder, mystery, mayhem, scandal, sex and golf wreak implacable havoc in the constituencies and we are cast, like gnomes down a well, into a fresh round of election madness.

Not that I didn't enjoy the election. I am not one of those people who finds elections boring, or argues that there is nothing to choose between the parties anyway. Yet even my patience can be tested to collapse by newspaper editors' penchant for poll-based punditry.

Which is why I have spent the past few days luxuriating in the discovery that there is life beyond elections - that there are things going on, just as they always have, in a flutery, whimsical dance towards the end of time.

Take sport. I expect you thought that the clamour of the UK election was so great that something as intrinsically silly and marginal as horse racing had quietly folded its tents and stolen into the night, never to be heard from again. Not a bit of it. On and on it goes: hundreds of races daily, trillions' worth of bets, all of it conveyed to readers of the sportspages in the special lackey-prose in which horse-race-writers have to sit a degree before the Jockey Club allows them on to a racecourse. Henry Cecil, the famed Newmarket trainer? You thought he had expired? Gone to a higher pasture? Not a bit of it. He is still winning races, just as he did at the start of his career in 1986.

**HAWKS  
&  
HANDSAWS**

Golf? You thought that golf had quietly died? Absolutely not. In Georgia, a man called Fred Couples won the Masters last weekend and is apparently set fair to become "the first truly dominant American golfer since Tom Watson", whoever he was. Cricket? I am afraid so. Rugby? But of course. Soccer? Bedlam! Gymnastics? Squash? Utterly and absolutely. In fact, more than there was before.

Another commodity surging through the newspapers in greater and greater quantities than anyone can recall is sex. On Thursday I bought the *Mail*, *Express*, *Star*, *Sun*, *Today*, *Mirror* and *Sport*. They were awash. What priceless comics they are, especially the first three. I won't quote specifics, because journalists on push papers who entertain their readers with synopses of mucky stories from the comics are generally accused of voyeurism, which is not something to relish.

But the sex is rising fast, and is seeping into the quality, especially into *The Times*. On Wednesday it runs a column by Lynne Truss called *Sinful Life*, which is probably doing more to inflame the circulation of *The Times* than 1,000 columns of punditry by tiresome Peter Riddell.

This week, the wonderful Ms Truss was writing about the onset of warmer weather and how it affects her mind, especially when confronted by "blokes with squeaky who haunt the traffic jams at Vauxhall Cross...". They are, I am sure, chasing the swirling grit of Vauxhall by the mystical action of the sun, like crocodiles from the mud of the Nile.

As you know, I am related to all the Fleet Street editors. The next time one of them asks me how to infuse his publication with sex and vitality, I shall tell him to cut his number of political columnists to one, purge his payroll of in-house intellectuals, cancel his market research contract, dispense with bleary polls, forget about elections - and ponder the words of Ms Truss, who has more bubbles than Perrier and is the sort of writer editors will have to woo and flatter if they hope to steer their publications over the reefs of media fragmentation (more and more titles chasing an increasingly specialised readership without splintering like matchwood).

For good cheer, though, nothing could equal an editorial in Thursday's *Mail*, which read in part:

"Oh, to be in Britain now that April's here and the election is over. 'Birds' are nest-building. Househunters are eyeing the estate agents' windows with new, predatory enthusiasm. And, despite the continuing economic chill, there is an unmistakable scent of recovery in the air. It's a pity they haven't heard about that asteroid careering towards Earth."

Sarita Kendall



Private View/Christian Tyler

## The nine lives of Chaim Herzog

"I don't think there is anything as bitter as a religious war, and that's what you've got today in Northern Ireland. I've done my best in my period of office to prevent that happening here. Here there's a lot more common sense."

Israel's unending conflict with the Palestinians and the Arab states (that is, apart from Egypt) was due to lack of leadership on the other side, not religion, Herzog said. Islamic fundamentalism was a growing threat but that was a problem for many countries other than Israel.

As he spoke, the windows were rattled as if by some distant explosion.

The presidency has become politically a great deal more delicate as the Israeli electorate has moved to the Right: in his nine years at the helm Herzog has had to stitch together six precarious governments and may be called upon to do so again after the general election in June.

I tried to discover whether Herzog, a former Labour member of the Knesset, had himself moved to the Right over the years. Did you imbibe socialism as a youth in Ireland? I asked.

"No, not necessarily. My late father always maintained that true socialism was preached in the Bible. He used to classify himself as a socialist but based on the philoso-

phy of the Bible, not of Marx." You have the reputation of being a right-winger on questions like settlements in the occupied territories, I said.

Herzog countered that he had never made his views known and would not do so now. But he went on:

"There is a tendency to be facile about this issue. One of the great problems of the West is they don't understand the Middle East. I've said this on many occasions. To say settlements are an obstacle to peace is not borne out by the facts."

Like many Israelis, Herzog has spent much of his life in uniform. He joined the British Army from Cambridge University. He fought in Normandy, saw the Bergen-Belsen concentration camp after its liberation and encountered the SS commander Heinrich Himmler before his suicide.

After World War Two and training for the English Bar, he became the first head of Israeli military intelligence and rose through various commands to the rank of major-general. Retiring from regular service he went into business, and for ten years was managing director of COS Industries. But in June 1967, he rode into Jerusalem as the first military governor of the West Bank.

I asked him whether Israel's preoccupation with its own security had not left its leaders unable to

address the problems of peace.

"No. It's been somewhat miraculous here. We are an entire nation in the military and yet we are the least militant country that I know. Nobody likes it. Everybody sees it as a necessary evil, to guarantee our future. No more. There's no spit and polish. You don't see any plumes and medals here."

I thought of the dishevelled soldiers I had seen patrolling the Gaza Strip four years ago, of the tear-gas

*'My advice to those who criticise us is to look in their own back garden first'*

raids on hospitals, the alleged beatings of children in detention. I asked: As a military man, doesn't the discipline concern you?

"I do speak out on issues of discipline. I'm going soon to visit Gaza - so I'll be able to tell you then." The president smiled benignly. "But look at eastern Europe. Look at Yugoslavia and then at our experience. We've done not so bad."

"Our problem is to maintain a situation in which you can negotiate without it deteriorating into another Beirut or Yugoslavia." But what about those soldiers

who lose their cool completely?

"Why don't you ask the people that send their children out to fight? When a child threw a Molotov cocktail at a bus in Jericho a few years ago and a Jewish mother and her three children were burnt to death, she was no less dead because the bomb had been thrown by a child."

"I'm not saying that everything is delightful. It's a difficult situation and unfortunate things happen. But we have courts and the Arabs do go to the courts. And the courts on more than one occasion have called the Israel authorities to book." (The president did not mention his controversial commuting of sentences on Israelis convicted of murdering Arabs.)

Outsiders find it difficult to reconcile the idealism of Israel's early pioneers with today's Right-wing expansionism. I asked Herzog whether he himself found modern Israel an unfamiliar place.

"We tend to idealise the past and to look back on it with nostalgia. But the fact is, nobody ever dreamt that we would achieve what we have. I think with all the shortcomings - and I don't hesitate to talk about them - we have very much to be proud of."

Your supporters abroad complain that the world requires higher standards of Israel than of any other country.

"I've often said that myself, but the fact is we have a high standard and we ought to be proud of it and maintain it - and we do. As I say, the courts are open. There's a free press here. We've lived under this threat of terrorism all these years and we haven't hanged a single terrorist. Not one." Herzog recalled being provoked in the Council of Europe recently by a British Labour MP.

"I began to compare our behaviour towards the Palestinians with the British government's behaviour towards the IRA. And believe me, if he could hear it, he'd blither. I told him nobody of the IRA can appear on TV or radio in Britain. Here you can see an interview with Arafat and his people on the TV any night. And we certainly did not ambush unarmed people, including a woman, as they did in Gibraltar."

"So my advice to all those who criticise us is to look in their own back garden first."

Chaim Herzog's two-term tenure of the presidency expires soon. He says he will not go back into politics.

What ambitions do you have left? "I wouldn't mind if I got a hole-in-one playing golf. Seriously, I would like to continue what I do. I fly light planes. I play golf, I said. Really, I would like to go back to what I was doing before, which is writing. I have so much to write."

### Despatches / Bogota

## Battle to save the condor

Diego zoo in the US have been released. When the first five - all male - were taken to Chingaza, they could barely fly. Gradually, they increased their range to 50 kilometres or more, always returning to a feeding platform high above a water reservoir where dead animals are left for them. Four females were released a few months ago, and now all nine - still with the immature brown plumage which will eventually give way to black and white feathers - can be seen circling over the platform when hungry.

Immensely curious, condors often fly too close to humans for their own safety. At Chingaza, human contact is strictly forbidden, but transmitters fixed to the birds' huge wings allow biologists to keep track of them. The males fly together in different directions - mating begins only when the birds are about six years old.

As the condors fly further afield

over populated areas, they could be heading into danger. Many peasants believe the birds are all too ready to swoop down on a chicken or calf and carry it off. But their strength lies in their beaks (for tearing at carrion) rather than their claws. Unfortunately, their loft wingspan makes an easy target.

Friedemann Koster, a zoologist living on the outskirts of Quito, is looking after two young condors in his back garden. One was shot down and both had been badly treated in captivity before they were brought to him. "People are the threat for these birds," he says.

Andean condors have retreated to the heights, apparently to escape hunters. But the decimation of wild animals on the high plains has left them with little food. Experts agree that the giant vulture might now be driven to eating placenta and newborn calves, and that this has turned farmers against them. In 1990, seven condors were found

dead on Mount Antisana, east of Quito in the bio-reserve.

"One of the condors was sent to a laboratory for analysis and they found it had been poisoned - a dead bullock had been put out with rat poison in it. There was another similar case when five condors died," says Mauricio Guerrero, of the Ecuadorian Ornithological Corporation. "We began a campaign to save the condor, and the president declared it a national symbol."

Condor folklore is not as strong in the northern Andes as it is in Peru and Bolivia, where the bird is more common: one Peruvian ritual involves a fight between a condor (symbolising the Indian) and a bull (representing the Spaniard). The legend of the young shepherdess carried off by a condor to his cliff-top nest is common all through the Andes. In some versions, the girl turns into a condor; in others, she gives birth to a strange creature and returns home, shamed.

In one of the villages on the lower slopes of Antisana, there is now an ecological group called Friends of the Condor. Members have been helping with studies on the birds and they may in future work as guides for people visiting the bio-reserve.

The Antisana Foundation is preparing a management plan for the watershed there, with the support of the Nature Conservancy. "It includes the protection of natural areas, eco-tourism, community education, sustainable harvest activities - fisheries, wildlife and agro-forestry - and research," Miller explains.

The water companies are also keen to find ways to combine conservation with other benefits: tourism is one, environmental education another. Buses full of students and schoolchildren visit Chingaza each week, and it is one of the few Colombian natural parks that generates income. But some economic



activities, such as sheep and cattle grazing, will have to be curtailed. The Bogota water company employees spend weeks each summer putting out fires started by farmers who want to extend the pasture available for their animals. "The condor is catching on as a symbol," said one blackened firefighter at Chingaza. "Maybe it will help people realise where their water comes from."

THE MIGHTY Andean condor has inspired songs, stories and even worship for more than 2,000 years. Swooping, gliding and soaring over high plains and craggy peaks, it is a symbol of power that adorns national coats of arms. But the condor is an endangered species, fast disappearing from the northern Andes. None has been seen in Venezuela for several years, there are only 40 in Colombia and fewer than 100 in Ecuador.

Now, the world's biggest flighted bird is getting help from an unexpected source: the Bogota and Quito city water companies. Anxious to preserve what remains of the vegetation on Andean watersheds, they are teaming up with environmental organisations to protect the condor's haunts.